

WESTERN



AUSTRALIA

THE CASE OF THE
PEOPLE OF
WESTERN AUSTRALIA

in support of their desire to withdraw from the Commonwealth of Australia established under the Commonwealth of Australia Constitution Act (Imperial), and that Western Australia be restored to its former status as a separate self-governing colony in the British Empire

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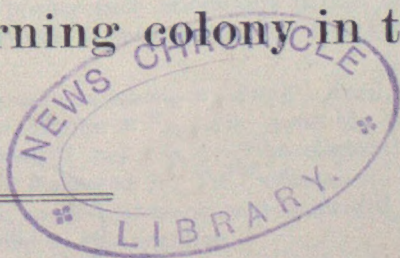
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H. K. Watson

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FOREWORD.

Whilst the title of this publication gives an indication of the nature of its subject matter, it will not indicate to some readers beyond Western Australia, and particularly to those readers beyond Australia, the nature of the circumstances antecedent to and responsible for the preparation and publication of this volume. The Committee responsible for the preparation thereof deems it advisable, therefore, to explain shortly and concisely those circumstances.

When the Commonwealth of Australia was established and inaugurated by the authority of an Act of the Imperial Parliament on the 1st January, 1901, Western Australia, then a self-governing colony in the British Empire, became a constituent State in the Federal Commonwealth of Australia. Almost immediately thereafter, the people and the Government of that State began to realise that their entry into the Federation had brought with it certain disabilities. Those disabilities, which have time and again been recognised and acknowledged by the various Commonwealth Governments, have continued over subsequent years up to the present time with such increasing severity upon the people and the State, that there gradually developed in the minds of a large majority of the people a desire to withdraw from the Federal Commonwealth and to return to their former status as a separate self-governing community within the Empire, a desire which culminated in an organised movement for Secession. A Dominion League was established, whose object was to educate the people in the necessity for Secession as the remedy of the State's disabilities under Federation, and to procure appropriate governmental action to effectuate the withdrawal of the State from the Federation. As the result of the activities of that body Secession became a matter of keen public interest and of State importance, with the result that in December, 1932, the Parliament of Western Australia passed the Secession Referendum Act, 1932, which authorised the taking, by way of a referendum, of the vote of the electors of the State on two questions, namely:—

- (1) "Are you in favour of the State of Western Australia withdrawing from the Federal Commonwealth established under the Commonwealth of Australia Constitution Act (Imperial) ?; and
- (2) "Are you in favour of a Convention of Representatives of equal number from each of the Australian States being summoned for the purpose of proposing such alterations in the Constitution of the Commonwealth as may appear to such Convention to be necessary?"

The referendum on these questions was taken on the 8th April, 1933, concurrently with a general election of the Legislative Assembly in the State Parliament; a record vote (over 91 per cent. of the electors) was recorded; and the first question was answered in the affirmative by a majority of two to one, whilst the second question was answered by a smaller, but still a very large, majority in the negative.

Following upon the result of that referendum, both the Legislative Council and the Legislative Assembly in the Parliament of Western Australia passed a resolution in the following terms, namely:—"In view of the result of the referendum taken under the provisions of the Secession

Referendum Act, 1932, this House is of the opinion that it is the indispensable duty of the Parliament on behalf of the people of Western Australia to endeavour by a dutiful address to His Majesty and humble applications to both Houses of the Imperial Parliament to procure such legislation by the said Imperial Parliament as may be necessary to effectuate the withdrawal of the people of the State of Western Australia from the Federal Commonwealth established under and by virtue of the provisions of the Commonwealth of Australia Constitution Act (Imperial); and that a joint Committee of both Houses of Parliament be appointed to consider and recommend what action shall be taken in relation to the preparation, completion, and presentation of the said address and the said applications in order to give effect to this resolution."

In due course the said joint Committee of both Houses of Parliament was appointed, and on the 19th September, 1933, reported to Parliament as follows:—"The joint Committee recommend the appointment of a Committee consisting of Messrs. C. Dudley, J. Lindsay, A. J. Reid, J. Scaddan, J. L. Walker, and H. K. Watson to prepare a dutiful address to His Majesty, the statement of the Case for Secession, and humble applications to both Houses of the Imperial Parliament as may be necessary to effect the withdrawal of the people of the State from the Federal Commonwealth and to submit the case for the subsequent approval of both Houses of Parliament."

On the 21st September, 1933, the Legislative Assembly passed a resolution as follows:—"That the House approves of the appointment of the following gentlemen, to prepare the Case for Secession, namely:—Mr. C. Dudley, Mr. J. Lindsay, Mr. A. J. Reid, B.A., Mr. J. L. Walker, K.C., Mr. H. K. Watson, and the Honourable J. Scaddan, C.M.G." and on or about the same date the Legislative Council passed a resolution to the similar effect.

Following upon the foregoing resolutions, His Excellency the Lieutenant-Governor in Executive Council on the 13th October, 1933, formally appointed the said gentlemen as members of the said Committee. That Committee, which commenced the preparation of the Case for Secession published in this volume, then consisted of two official and four non-official members as follows:—Mr. J. L. Walker, K.C., B.A. (Oxon.), Bacon Scholar in Constitutional Law and Legal History, of Gray's Inn, London, Crown Solicitor and Senior Parliamentary Draftsman in Western Australia, as Chairman, and Mr. A. J. Reid, B.A. (Univ. of W.A.), Assistant Under Treasurer in Western Australia, as official members, and the Hon. J. Scaddan, C.M.G., Messrs. C. G. Dudley, the Hon. J. Lindsay, and H. K. Watson, chairman of the Dominion League of Western Australia, as non-official members.

The Case for Secession as contained in this volume was duly prepared by that Committee as a supplement to an address to be presented to His Majesty, and to petitions to be presented to both Houses of the Imperial Parliament; it was subsequently submitted to both Houses of Parliament of Western Australia which, by an Act intituled the Secession Act, 1934, approved thereof and authorised its publication.

This publication, therefore, has been prepared and is published under Parliamentary and statutory authority, and is intended to be read and used as a supplement to an Address to His Majesty and Petitions to both Houses of the Imperial Parliament seeking legislation necessary to effectuate the withdrawal of the people of Western Australia from the Federal Commonwealth of Australia.

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CHRONOLOGY.

- 1606 *Duyfken* in Gulf of Carpentaria. First authenticated voyage to Australia.
- 1616 W.A. — Dirk Hartog in the *Eendracht*. First authenticated voyage to Western Australia.
- 1688 W.A. — Dampier in the *Cygnets*.
- 1699 W.A. — Dampier's second voyage.
- 1770 Captain Cook landed at Botany Bay.
- 1788 Captain Phillip took formal possession of Port Jackson.
Formal Proclamation of Colony of New South Wales.
- 1801 W.A. — Flinders's voyage in the *Investigator*.
- 1824 First Australian Enactment (Currency Bill) passed by N.S.W. Legislative Council.
- 1825 Van Diemen's Land, as Tasmania was then called, politically separated from New South Wales and constituted a separate Colony.
- 1826 W.A. — (Dec. 26) An Expedition under Major Lockyer lands at King George Sound. Foundation of Albany.
- 1827 W.A. — Examination of Swan River by Captain Stirling in H.M.S. *Success*.
- 1828 W.A. — Decision of British Government to found colony. Captain Fremantle in H.M.S. *Challenger* despatched to take formal possession of Swan River.
Captain Stirling appointed Lieutenant-Governor.
- 1829 W.A. — (Feb.) *Parmelia* leaves England with officials and first settlers.
(May 2) Captain Fremantle hoists the British Flag at the mouth of Swan River and takes formal possession.
(June 2) Arrival of *Parmelia*. **Proclamation of Colony.**
(Aug.) Foundation of Perth and Fremantle.
- 1830 W.A. — Legislative Council constituted by Order in Council. Executive Council constituted by Instructions under Sign Manual.
- 1832 W.A. — Executive Council, Legislative Council, Civil Court established.
- 1836 South Australia created a Province.
- 1840 New Zealand politically separated from New South Wales and constituted a separate Colony.
- 1851 Victoria politically separated from New South Wales and constituted a separate Colony.
- 1859 Queensland politically separated from New South Wales and constituted a separate Colony.
- 1863 Northern Territory brought under jurisdiction of South Australia.
- 1861-8 W.A. — Settlement of the North-West.
- 1869 W.A. — First telegraph line erected.
- 1870 W.A. — Representative Government established.
John Forrest's overland journey to Adelaide.
- 1885 W.A. — Gold discovered at Kimberley.
- 1887 W.A. — Gold discovered at Yilgarn.
- 1889 W.A. — Great Southern Railway opened.
- 1890 W.A. — (July) Imperial Act conferring Responsible Government.
(Oct. 21) **Responsible Government Proclaimed.**
(Dec.) First Ministry appointed. John Forrest Premier.
- 1891 W.A. — Murchison Goldfield discovered.
- 1892 W.A. — Coolgardie Goldfield discovered.
- 1893 W.A. — Hannans (Kalgoorlie) Goldfield discovered.

CHRONOLOGY—*continued*.

- 1894 W.A. — Menzies Goldfield discovered.
Midland Railway opened (land-grant railway).
- 1897 W.A. — Fremantle Harbour opened.
- 1899 W.A. — Goldfields Water Supply commenced (completed Jan., 1903).
- 1900 W.A. — (July 31) Federation Referendum taken and results in W.A. becoming a State of the Commonwealth.
(August 21) Address to Her Majesty Queen Victoria in connection therewith.
- 1901 Commonwealth of Australia inaugurated, 1st January.
First Commonwealth Customs Tariff introduced.
- 1904 W.A. — First Labour Ministry in W.A.
- 1906 Constitutional Referendum altering dates of periodical Senate Elections, carried.
W.A. — **Secession debated in W.A. Parliament.**
- 1908 Lyne Tariff—Protection.
- 1909 Imperial Defence Conference in London.
- 1910 Constitutional Referenda on financial relations between the Commonwealth and the States; Major proposal rejected; Minor proposal carried.
Australian Notes Act passed and first Commonwealth Notes issued.
Commonwealth unexpectedly enters into field of direct taxation.
- 1911 Transfer of Northern Territory to Commonwealth.
Constitutional Referendum on increasing Trade and Commerce Powers of Commonwealth rejected.
- 1913 Constitutional Referendum on increasing trade and commerce powers of Commonwealth rejected.
- 1914 European War. Australian Navy transferred to Imperial Navy. Australian troops offered to, and accepted by, Imperial Government.
Tudor Tariff—Protection increased and extended.
- 1915 Australian troops landed at Dardanelles on 25th April.
- 1916 First Referendum for Imperial Military Service. Rejected by Australia but carried in W.A. by majority of two to one.
- 1917 Kalgoorlie-Port Augusta Railway completed.
Second Referendum for Imperial Military Service results as before.
- 1918 W.A. — The "Sunday Times" newspaper commenced a vigorous advocacy for Secession.
- 1919 Epidemic of influenza throughout the Commonwealth.
Constitutional Referendum on increasing Trade, Commerce and Industrial Arbitration powers of Commonwealth rejected.
Aerial Flight, England to Australia, by Ross and Keith Smith.
- W.A. — Protest against Federation—Citizens' Meeting in Perth Town Hall.
- W.A. — Important speech on Federal Relations by Sir Hal Colebatch in Legislative Council.
- 1920 Visit to Australia of H.R.H. the Prince of Wales.
- 1921 Bill for Constitutional Convention introduced in House of Representatives by Prime Minister and subsequently discharged from Notice Paper.
Massey-Greene Tariff. More Protection.
- W.A. — Joint Select Committee formed to inquire into effect of Federal Compact upon State Finances.
- 1922 W.A. — Immigration Scheme launched. Visit of Premier to England in March. British Loan of £6,000,000 on special terms.

CHRONOLOGY—*continued.*

- 1924 Royal Commission appointed by Federal Government to inquire into Western Australia's disabilities under Federation.
- 1925 **Secession League formed in W.A.**
Disabilities Commission's Report presented.
Rt. Hon. S. M. Bruce, P.C., Prime Minister, delivered policy speech and announced his Government had rejected proposal for Constitutional Convention as being impracticable. Ratification of a new Migration and Settlement Agreement between the W.A. Government and the British and Commonwealth Governments.
- 1926 Constitutional Referendum on increasing powers of Commonwealth re Trade, Commerce, Essential Services, and Industrial Arbitration, rejected.
Pratten Tariff. More Protection.
- 1927 Visit of their R.H. the Duke and Duchess of York.
Visit of Secretary of State for the Dominions, Col. L. S. Amery.
Federal Government appointed Royal Commission on Constitution.
- 1928 Second Pratten Tariff. Prohibitive duties.
Visit of British Economic Mission to report on the development of Australian resources.
Financial Agreement between Commonwealth and States; Loan Council reconstituted; Constitutional Referendum giving Commonwealth power to make financial agreements with States, carried.
- 1929 Constitution Commission presented its Report.
W.A.—Celebration of the Centenary of Western Australia.
- 1929-31 Tariff: Prohibitive duties and Primage Duty; Embargoes and rationing of imports.
- 1930 Export prices fell to half 1928 level.
Visit of Sir Otto Niemeyer of Bank of England, to discuss financial questions.
- 1930 W.A.—**Dominion League formed.**
(Nov.) Premier (Sir James Mitchell) received Deputation from Dominion League requesting early Secession Referendum.
- 1931 Initiation of Premiers' Conference Plan. England departed from gold standard in September; depreciation of Australian currency maintained—exchange rates at 125.
W.A.—(Aug.) Dominion League's State Convention attended by 200 Delegates from Branches of the League and from local governing bodies throughout the State.
- 1932 Imperial Economic Conference at Ottawa.
W.A.—(Dec.) **Secession Referendum Act passed.**
- 1933 W.A.—(Jan.) Hon. Norbert Keenan, K.C., M.L.A., addressed meeting of leading citizens on Case for Secession.
(Feb.) Sir Hal Colebatch opens Secession Campaign.
(March) Prime Minister and Federal Delegates visit W.A. to oppose Secession.
(April) **State-wide Secession Referendum carried by overwhelming majority upon a record poll; 91.6% of the electors voted.**
(June) Premiers' Conference rejects Prime Minister's proposal for Constitutional Convention.

CHRONOLOGY—*continued.*

1933 W.A. — *continued.*

(July) Sir James Mitchell, K.C.M.G., appointed Lieutenant-Governor of W.A.

Lieut.-Governor of W.A. in opening First Session of Fifteenth Parliament, announces that his Ministers were giving careful consideration to the best methods to give effect to people's decision as expressed at Secession Referendum.

(Aug.) Secession—Parliament of W.A. resolved to present Address to His Majesty and Applications to Imperial Parliament; Joint Select Committee appointed to make recommendations in this respect.

(Sept.) Parliament of W.A. upon recommendation of Joint Select Committee, approves of appointment of Committee consisting of Messrs. C. Dudley, J. Lindsay, A. J. Reid, B.A., J. Scaddan, C.M.G., J. L. Walker, K.C., and H. K. Watson to prepare the Case for Secession.

1934

(Feb.) Premiers' Conference on Constitutional matters. Prime Minister announces Commonwealth Government declines to entertain any proposed amendment of Constitution designed to diminish financial powers of the Commonwealth in favour of the States.

W.A. — (March) Secession Committee submits its Case for Secession for approval by Parliament.

Sitting of Western Australian Parliament convened to consider Report of Secession Committee.

THE CASE FOR SECESSION.

DIVISION ONE.—GENERAL.

Chapter 1.—Introductory.

Chapter 2.—Australia—A Preliminary Survey.

Chapter 3.—Western Australia—Historical and General Information.

CHAPTER I.—INTRODUCTORY.

1. The people of Western Australia, by way of the Secession Referendum have overwhelmingly expressed a desire to alter their existing form of Government; to withdraw from the Australian Federal Commonwealth; and to resume, as an integral part of the British Empire, the system of self-government such as they enjoyed and prospered under before they entered into the Federal system in 1901.

2. This desire does not signify any lessening of the intense loyalty and affection which the people of Western Australia entertain towards the Crown and Person of His Majesty the King.

3. The vote for Federation was the outcome of promises made. The vote for Secession is the outcome of expectations unrealised. That Federation would be a success was a mere guess. That to Western Australia it has been a failure is the proved result of 32 years' experience. In 1900 the people of Western Australia favoured Federation largely on sentimental grounds. In 1933 they favoured withdrawal from Federation in circumstances which offered clear evidence of the adverse economic effects of Federation.

4. With a view to procuring such legislation by the Imperial Parliament as may be necessary to effect their withdrawal from the Federal Commonwealth of Australia, Petitions have been prepared on behalf of the people of Western Australia for presentation to His Majesty, and to both Houses of the Imperial Parliament. The said Petitions respectively set forth, *inter alia*, the aforesaid desires of the people of Western Australia, and contain the humble prayer that the Petition may be granted.

5. The people of Western Australia having so expressed themselves, it might quite conceivably be argued that there

is now no necessity to inquire into the reasons which have prompted them to seek this reversion to their previous system of Government, or to consider whether such reasons were well founded or otherwise. But the people of Western Australia most earnestly desire that their withdrawal from Federation should be effected in a friendly manner without placing any strain upon the cordial relationship which exists between the Government of Great Britain and the Government of Western Australia and their respective peoples; and without any cause of friction which might mar or retard the further growth of friendly and neighbourly relations between the Government of Western Australia and the other Australian Governments and their respective peoples. There is no course calculated to assist more in the attainment of such a friendly separation than to set forth and discuss for general information the cause of Western Australia's dissatisfaction with the Federal System, and the reasons which constrain her people in their desire to secede from the Commonwealth of Australia; and this Case has been prepared accordingly.

Arrangement of the Case.

6. The **CASE** is divided into four Divisions. In Division One, **General**, and Division Two **Federation**, is given a brief preliminary survey of Australia in general and Western Australia in particular—their geography, their economic and financial circumstances, the prosperous position of Western Australia in pre-Federal days, and the circumstances surrounding her entry into the Federation, the nature and the working of the existing Constitutional structure, the system of Public Finance, and the Financial Relations between the Commonwealth and the States.

7. In Division Two special chapters are devoted to "The Failure of Federalism in Australia," "The Effect of Federation upon the Finances of Western Australia," and "Some Outstanding Disabilities of Western Australia under Federation." In the first-mentioned chapter the failure of Federalism in Australia as a system of social organisation is discussed. The following chapter records the change in the fortunes of the State Treasury of Western Australia since her entry into Federation and the unenviable condition into which the finances of the State have drifted as a direct result of Federation. The third-mentioned chapter consists largely of a narration of

some of the political disabilities of a general nature suffered by Western Australia as a State of the Commonwealth. To those who would suggest that these disabilities should be capable of removal or adjustment without the necessity for the extreme step of Secession, the answer is that notwithstanding strenuous protests by the State over a lengthy period, there has been with the passing of years, a definite tendency for such disabilities to multiply and become more unbearable rather than to diminish and become less irksome. For example, the position in this connection is to-day infinitely worse than it was in 1928 when the then Premier, Mr. Collier, declared—

“Bit by bit the Federal authority is growing at the expense of the States. We are drifting as sure as fate towards unification. That means ruin. This enormous country cannot be governed from a political centre by men almost entirely ignorant of conditions in the far corners of the land.”

8. The position in 1928 was worse than it was in 1925, when Mr. J. Entwistle, in his report as a member of the Royal Commission which inquired into Western Australia's financial disabilities under Federation, declared—

“In my opinion, Western Australia should never have entered the Federation, but, having done so, there is, I feel convinced, only one complete and satisfactory remedy for her present disabilities, viz, Secession.”

9. To go back still further, the position in 1925 was worse than it was in 1919, when Sir Hal Colebatch, the then Colonial Secretary, expressed the considered opinion that the people of the State may be driven into either of two alternatives—separation or unification. Finally, the position in 1919 was worse than it was in 1906, when the Governor in his Speech at the opening of the Second Session of the Sixth Parliament of Western Australia, deplored certain Federal proposals as being a “distinct violation of one of the fundamental principles of the Commonwealth Constitution.”

10. Onerous, however, as they undoubtedly are, these burdens of Federation do not constitute the main grounds for Secession. If, by some unexpected act of supreme statesmanship in the Federal arena, all such disabilities were removed, there would still remain Western Australia's greatest disability under Federation, namely, the economic effect upon the State of Australian protection and interstate free trade.

11. In Division Three, **Secession**, the main grounds for Western Australia's withdrawal from Federation are set forth. Therein the ruinous effect of Australian protec-

tion upon the staple primary industries—the exporting industries—of Western Australia and the equally harmful effect of interstate free trade upon the manufacturing industries of the State are discussed. It is shown how the economic and financial structure of the State has been undermined by Federation and Federal policy and how the future welfare and prosperity of Western Australia and the people of Western Australia have become seriously jeopardised. The matter is then considered with a view to demonstrating that the main disability of Western Australia is due not solely to adverse Federal policy, but also to the peculiar nature of the geography and the economic circumstances of Australia which must ever constitute the economic background of any plan for social organisation of Australia and which results in the constitutional impossibility of giving Western Australia a satisfactory place in any system—Federal or Unitary—having for its object the government of Australia by a central government. The facts which are adduced in Division Three of this Case furnish indisputable evidence of the greatest divergence between the economic interests of Western Australia and those of Eastern Australia. Such is the abundant wealth of authority which may be cited in support of these claims that it is advisable to devote a special chapter for the purpose of marshalling the observations and conclusions of independent authorities who from time to time have investigated or considered the unenviable position of Western Australia as a State of the Commonwealth. The question of her release from the economic entanglements of Federation is a matter of vital importance to Western Australia—a matter of economic life and death—and, although in Division Three the problem is discussed from every angle, the only conclusion which can emerge from a consideration of the facts as they exist is that the problem of Western Australia's chief disability under Federation is incapable of satisfactory solution, except by the withdrawal of Western Australia from Federation.

12. Division Three concludes with a discussion upon the gradual growth of the Secession movement from 1906 down to the present time.

13. In Division Four, which deals with the **Consequences of Secession**, the major problems which appear to present themselves for consideration—the economic consequences, the financial consequences, and the defence consequences are discussed. These chapters are preceded by a chapter upon

"The Basis of Western Australia's withdrawal from Federation," wherein it is made clear that the people of Western Australia desire nothing but an honourable withdrawal; that they are prepared, and indeed will then be more able, to assume full responsibility for their just share of the service of the Commonwealth Public Debt and to ensure the fullest protection for Commonwealth and Western Australian bondholders both in Australia and overseas.

14. Their own self-preservation is naturally a matter of the greatest immediate concern to the people of Western Australia; but inseparable from that consideration is the equally urgent desire of the people of Western Australia for their continued existence as an integral and self-supporting part of the British Commonwealth of Nations; for the strengthening of Empire ties and the promotion of Empire trade. These considerations are discussed in division four under a chapter entitled "The Empire Outlook."

15. Every effort has been made to make this Case as informing and comprehensive as possible. The question of Secession gives rise to many considerations covering a very wide range of subjects, which it has been deemed advisable to discuss separately; but many of these considerations emerge in the first instance from the same set of circumstances. It has, therefore, been found impossible to avoid a certain amount of repetition of basal facts and fundamental principles. Since the Case is of considerable dimensions, and since such unavoidable repetition has tended to make each chapter more or less self-contained and complete in itself, the measure of repetition which has been found necessary will, it is hoped, facilitate a study of the Case rather than render its reading tedious.

16. Throughout the course of the Case the arguments against Secession and the obstacles in the way of separation have not been overlooked; but whatever these obstacles may be, they must be faced and overcome. It would be a sad reflection upon our British justice and British common-sense if any such obstacles were allowed to stand in the way of the happiness and prosperity of a free British community. Most of the arguments against Secession depend for their substance upon the proposition that a central Government for Australia is necessary to handle matters such as defence, finance, etc., thereby securing uniformity of action. In this connection it is well to remember that the capital of the

Empire is London, not Canberra, and to this and all other arguments advanced in support of the necessity for control by a centralised Australian Government at least, so far as defence is concerned, no better reply can be given than a submission of the principle enunciated in the following extract from the report of the Simon Commission which recommended the separation of Burma from the Government of India:—

"The proposition that two areas in the British Empire which are politically quite distinct must none the less remain under the same Government because they present a common military problem goes much too far. It is common allegiance to the same Crown, not common election to the same legislature, which ought to secure the due co-ordination of plan and of effort."

17. It is claimed that this same principle obtains in regard to other functions of Government. No higher political ideal can be cherished by Western Australians than the attainment of the best means for the development and use of the land which they hold in trust. This must precede any ideal involving the central government of all Australian people. Eastern Australia can never in honour demand that Western Australia remain inside a fiscal system for the benefit of the former and the eternal hindrance of the latter. It is equally difficult to imagine how any Commonwealth Government can, with justice, challenge Western Australia's claim to that inalienable right of individual freedom of action, which, in their own sphere, the Federal Governments have ever asserted against the Imperial Government and, in accordance with British traditions, have not had it denied them. Obviously it is not possible to govern the whole British Empire by a centralised Government having its seat in London. This Case shows the futility of expecting to govern all Australia in a satisfactory manner by means of a central Government of one form and another having its seat in Canberra or elsewhere.

18. Finally, in the preparation of this Case, there has been but one aim in view, namely, in an accurate and impartial statement to bring to the notice of the Imperial Parliament and the British people—and also to fellow Australians situated more than two thousand miles away on the Eastern fringe of this continent and separated from Western Australia by a "sea of sand"—such information as can be supplied, in a compendious form, concerning the conditions of the problem and the proposed solution. It is hoped that their consideration of this Case will cause them keenly to

realise that Secession implies the integrity of the British Empire, the co-ordination of the Empire's economic resources, the equitable distribution of Empire peoples, the filling of her empty spaces, the promotion of Empire trade, the expression of friendship and goodwill towards all Empire peoples, the stability and integrity of Australia, and greater possibilities for promoting the orderly population and development of this great continent in accordance with the traditions of our Empire, which, in the words of the British Prime Minister, the Rt. Hon. Ramsay MacDonald, P.C., "has been the first that has promised to succeed in solving the problem of how to preserve individual freedom with Imperial unity."

CHAPTER 2.—AUSTRALIA—A PRELIMINARY SURVEY.

19. Much of the matter in this chapter and the immediately succeeding chapters, and also in chapter 16, may be regarded as elementary by those who are intimately acquainted with the history of Australia; but all the facts are not everywhere appreciated and borne in mind. Indeed, there are occasions, even in Australia, when they appear to have been entirely overlooked in the examination of Australia's political and economic problems, and in the search for a solution of those problems.

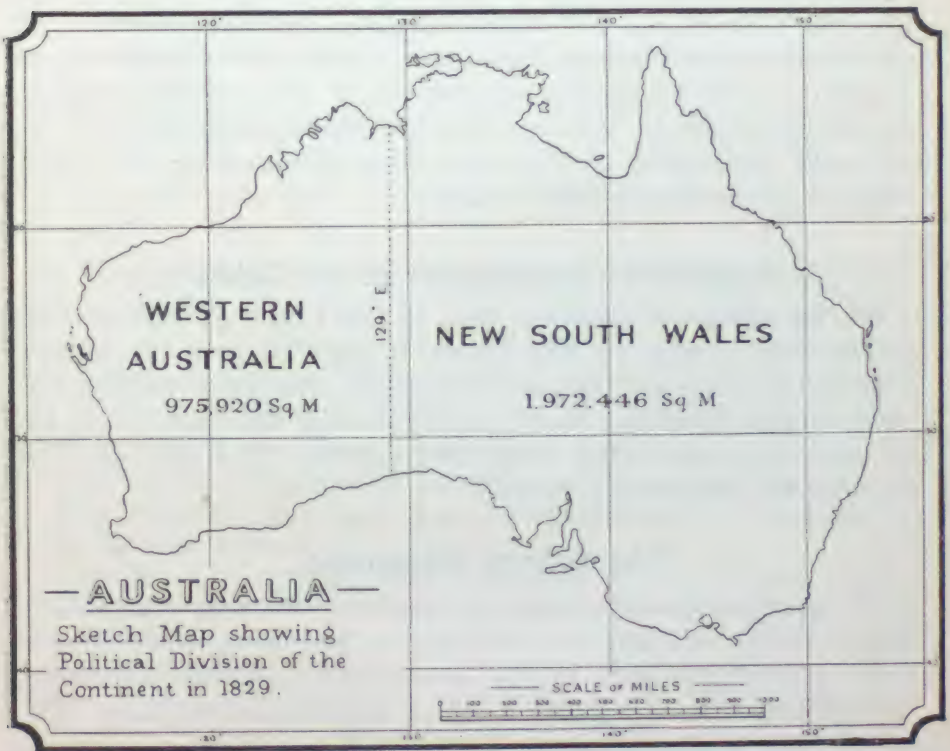
Discovery and Annexation.

20. Although many nations adventured for the discovery of Australia, it remained for the British people to possess and colonize it.

21. Concerning its discovery by the British, history records that the North-Western shores of Australia—or New Holland as it was then called—were first visited by William Dampier in the "Cygnet" in 1688. In 1699 Dampier made another visit in command of H.M.S. "Roebuck," and on his return to England published an account of his observations. There is no record of any further voyages under the British until 1770, when Captain James Cook discovered and explored the Eastern Coast. The history of Australia was brought into definite political connection with western civilisation on the 23rd August, 1770, on which date Captain Cook took possession "of the whole Eastern coast from lat. 38° to this place; lat. $10\frac{1}{2}^{\circ}$ S. in right of His Majesty King George the Third."

22. Cook, however, proclaimed British sovereignty only over what are now the eastern parts of New South Wales and Queensland; and formal possession, on behalf of the British Crown, of the whole of the eastern part of the Australian Continent and Tasmania was not taken until the 26th January, 1788. It was on this last date that Captain Phillip's commission, first issued to him on the 12th October, 1786, and amplified on the 2nd April, 1787, was read to the people whom he had brought with him in the "First Fleet." The territory on the South Coast as covered by Phillip's commission, extended westward only to the 135° east longitude. In 1825, under Governor Darling's Commission, the area was further extended westward to the 129° east. The whole of this territory, *i.e.*, approximately the eastern two-thirds of the

Continent, was then known as New South Wales. Formal possession of the remaining third of the continent—of “all that part of New Holland which is not included within the territory of New South Wales”—was taken by the foundation of Western Australia on the 2nd May, 1829. Thus by the middle of 1829 the whole of the territory now known as the Commonwealth of Australia had become colonies of the United Kingdom; but even at that time the colony of Western Australia was distinct and independent of New South Wales, as is more fully explained in Chapter 3 and as may be readily observed from the following sketch map:—



The Name “Australia.”

23. Originally the continent of Australia was not known by that name. It was usually described, either by the old name “Terra Australis” given it by the geographers, or by the Dutch designation of New Holland. It seems that the name “Australia” was first suggested by Matthew Flinders in 1814; in 1829 it first appeared in the Imperial Statute Book in Act 10 Geo. IV. c. 22, which made legal provision for the settlement of “Western Australia on the Western Coast of New Holland.”

The Creation of the Several Colonies.

24. It has been shown how by 1829 the annexation of Australia had been effected in the following manner, as indicated by the preceding map:—

	Square miles.
(a) The territory of New South Wales, i.e., Australia (including Tasmania) east of meridian 129° E.	1,998,661
(b) The colony of Western Australia, i.e., Australia west of Meridian 129° E.	975,920

25. The subsequent reduction of the area of New South Wales was effected by the separation of Tasmania (or Van Dieman's Land as it was then called) in 1825; by the creation of South Australia as a Province in 1836, the separation of Victoria in 1851 and the separation of Queensland in 1859. In the case both of Victoria and Queensland, separation was strongly opposed in Sydney and was attained by the intervention of the Home Government.

Responsible Government in the Colonies.

26. By virtue of various Acts of the Imperial Parliament, the several colonies of New South Wales, Victoria, Tasmania, South Australia and Queensland were granted Constitutions involving Responsible Government during the years 1855-59; it was not until 1890 that Responsible Government was granted to Western Australia.

The Federal Movement.

27. As the circumstances surrounding Western Australia's entry into Federation are set forth in Chapter 3, it is sufficient here to comment only briefly on the birth of the Australian Commonwealth. Federation was suggested as early as 1847, and began to take definite form by the holding of various Australasian Conventions and Conferences in the 'nineties.

28. In the year 1899 a Referendum on the question of Federation was held in the Colonies of New South Wales, Victoria, South Australia, Tasmania and Queensland. The draft Constitution as then submitted to the electors of those Colonies was accepted, the voting being as follows:—

		N.S.W.	Victoria.	S.A.	Tasmania.	Q'land.	Total.
Yes	...	167,420	152,653	65,990	13,437	38,488	377,988
No	...	82,741	9,805	17,053	791	30,996	141,386
Majority	...	24,679	142,848	48,937	12,646	7,492	236,602

29. The Legislatures of the five Colonies thereupon passed Addresses to the Queen praying that the Constitution should be passed into law by the Imperial Parliament.

30. Space will not permit of a detailed account of the events which led up to the final acceptance of the principles of Federation by these five Eastern Colonies, but a very full account of the circumstances is contained in an Historical Introduction (under the Title of "The Federal Movement in Australia") to Quick and Garran's Annotated Constitution of the Australian Commonwealth (pp. 79-225).

31. The Draft Constitution as accepted by the five federating Colonies, did not altogether meet with the approval of the Imperial authorities; but after negotiations and compromise between the Imperial authorities on the one hand, and the Colonial delegates on the other, the Commonwealth of Australia Constitution Bill was finally passed by the Imperial Parliament and received the Royal assent on the 9th July, 1900.

32. The Commonwealth of Australia Constitution Act, 1900. (63 and 64 Vict., chap. 12), by way of Preamble recites the fact that the people of New South Wales, Victoria, South Australia, Queensland and Tasmania had agreed to Federate and that it was expedient to provide for the admission into the Commonwealth of other Australasian Colonies; and the sixth of the Covering Clauses of the said Act, provides that:—

"The Commonwealth," shall mean the Commonwealth of Australia as established under this Act.

"The States" shall mean such of the colonies of New South Wales, New Zealand, Queensland, Tasmania, Victoria, Western Australia, and South Australia, including the northern territory of South Australia, as for the time being are parts of the Commonwealth, and such colonies or territories as may be admitted into or established by the Commonwealth as States; and each of such parts of the Commonwealth shall be called "a State."

33. It will have been observed that at the time the Commonwealth of Australia Constitution Act was passed by the Imperial Parliament, the colonies of Western Australia and New Zealand had not agreed to enter Federation. Had that position remained unaltered, the Commonwealth of Australia would have consisted of Tasmania and that portion of the Continent of Australia east of the meridian 129° east.

34. New Zealand was represented at the Federal Convention of 1891, but did not take any further part in the process of framing the Federal Constitution. "She had watched the

Federal movement with caution and reserve and her decision needed prudent deliberation." She finally decided against joining the Commonwealth. "There were 1,200 reasons against Federation—1,200 miles of sea." New Zealand remained out of Federation, and has achieved Dominion status; and it is not unreasonable to assume that Western Australia would have earned a similar distinction had she not entered Federation.

35. Pursuant to the provisions of the Commonwealth of Australia Constitution Act, Queen Victoria on the 17th September, 1900, signed the Proclamation declaring that "on and after the 1st January, 1901, the people of New South Wales, Victoria, South Australia, Queensland, Tasmania, and Western Australia should be united in a Federal Commonwealth."

36. Thus, on the 1st January, 1901, the Australian Federation was inaugurated, and the six self-governing Colonies became States of the Commonwealth.

37. On the 1st January, 1911, the Northern Territory was transferred by South Australia to the Commonwealth, and on the same day the Federal Capital Territory was surrendered by New South Wales and accepted by the Commonwealth.

Area.

38. In approaching the consideration of political and economic questions concerning Australia it is essential that its vast area should be borne in mind. "I may give you some idea of its size," said Sir Robert Horne in speaking at a meeting of the Empire Parliamentary Association in London upon his return from a visit to Australia, "when I say that if Australia were populated in the same proportion as its nearest neighbour, a Dutch island, not all the people in the world would be sufficient to populate Australia. It is impossible to realise the immensity of its size unless you put some such idea as that before your mind."

39. The area of Australia is approximately 3,000,000 square miles; that is to say it is thirty-four times the area of England and Wales or more than three-fourths of the whole area of Europe. This great area, coupled with a limited population, renders the solution of the problem of Australian development a particularly difficult one. Western Australia, with an area of 975,920 square miles, comprises one-third of the Continent.

40. The area of the component States and Territories of the Commonwealth is as set forth in the following table:—

State.	Date of Annexation.	Date of Creation.	Date of first Permanent Settlement.	Date of Responsible Government.	Area. sq. miles.
N.S.W.	1770	1786	1788	1855	309,460 <i>a</i>
Tasmania	1770	1825	1803	1856	26,215
South Australia ...	1770	1834	1836	1856	380,070
Victoria	1770	1851	1834	1855	87,884
Queensland	1770	1859	1824	1859	670,500
Western Australia	1827	1829	1829	1890	975,920
Northern Territory	...	...	...	...	523,620
Fed. Cap. Territory	...	...	...	...	912
Area of Commonwealth					2,974,581

(a) On 12th July, 1915, an area of 28 square miles at Jervis Bay was taken over by the Commonwealth; the area of that State therefore is now 309,432 square miles.

41. The details of the coastline of the Continent are as follows:—

State	Coastline. miles.	Area per Mile of Coastline. square miles.
New South Wales (a)	700	443
Victoria	680	129
Queensland	3,000	223
Northern Territory	1,040	503
South Australia	1,540	247
Western Australia	4,350	224
Continent (b)	11,310	261
Tasmania	900	29

(a) Including Federal Capital Territory. (b) Area 2,948,366 square miles.

Climate and Rainfall.

42. The States differ widely in climate and rainfall. The following table extracted from the Commonwealth Year Book for 1932 (p. 40) illustrates these diversities:—

AVERAGE ANNUAL RAINFALL DISTRIBUTION.

Average Annual Rain- fall.	N.S.W. (a)	Victoria	Queens- land.	South Aus- tralia.	Nor- thern Ter- ritory.	Western Aus- tralia.	Tas- mania. (b)	Total. (b)
	sq. mls.	sq. mls.	sq. mls.	sq. mls.	sq. mls.	sq. mls.	sq. mls.	sq. mls.
Under 10 inches	48,749	nil	80,496	310,660	140,500	486,952	nil	1,067,357
10—15 "	78,454	19,270	81,549	36,460	132,780	255,092	nil	603,605
15—20 "	55,762	13,492	111,833	19,940	63,026	94,101	304	358,458
20—25 "	45,140	14,170	143,610	8,620	49,157	44,340	3,844	308,881
25—30 "	30,539	15,579	99,895	3,258	41,608	31,990	3,016	225,885
30—40 "	33,557	14,450	61,963	1,036	37,642	59,520	5,027	213,195
Over 40 "	18,171	10,923	91,154	96	58,907	3,925	11,247	194,423
Total Area ...	310,372	87,884	670,500	380,070	523,620	975,920	23,438	2,971,804

(a) Including Federal Capital Territory.

(b) Over an area of 2,777 square miles no records are available.

43. On the coast the rainfall is often abundant and the atmosphere moist, but in large portions of the interior it is very limited and the atmosphere dry. The driest known part of the continent is in the Lake Eyre district in South Australia (the only part of the continent below sea level), where the annual average is only five inches, and where the fall rarely exceeds 10 inches for the twelve months.

44. Of the total area of Australia, nearly 40 per cent. lies within the tropics. The areas within the tropical and temperate zones are as follows:—

Area.	Queens- land. sq. miles.	Western Australia. sq. miles.	Northern Territory. sq. miles.	Total. sq. miles.
Within Tropical Zone	359,000	364,000	426,320	1,149,320
Within Temperate Zone	311,500	611,920	97,300	1,020,720
Ratio of Tropical part to whole State	0·535	0·373	0·814	0·530
Ratio of Temperate part to whole State	0·465	0·627	0·186	0·470

Population.

45. The population of Australia is 98 per cent. British. The census of 1933 discloses that the population of Australia at the 30th June, 1933 was distributed as follows:—

POPULATION OF AUSTRALIA.

States and Ter- ritories.	Area— Square Miles.	Population (Exclusive of full-blood Australian Aborigines).						
		Census—30th June, 1933. (a).			Census—4th April, 1921.			Popula- tion— Capital Cities, June 30, 1933. (b)
		Males.	Fe- males.	Persons.	Males.	Fe- males.	Persons.	
N.S.W.	309,432	1,318,728	1,282,376	2,601,104	1,071,501	1,028,870	2,100,371	1,235,367
Victoria...	87,884	903,399	916,961	1,820,360	754,724	776,556	1,531,280	992,048
Q'land ...	670,500	497,394	450,395	947,789	398,969	357,003	755,972	299,782
S. Aust....	380,070	290,970	290,017	580,987	248,267	246,893	495,160	312,629
W. Aust.	975,920	234,000	204,948	438,948	177,278	155,454	332,732	207,464
Tasmania	26,215	115,141	112,464	227,605	107,743	106,037	213,780	60,408
N. Ter. ...	523,620	3,376	1,484	4,860	2,821	1,046	3,867	...
Fed. Cap. Territory	940	4,807	4,140	8,947	1,567	1,005	2,572	7,325
Total ...	2,974,581	3,367,815	3,262,785	6,630,600	2,762,870	2,672,864	5,435,734	3,115,023

a Final figures. *b* The areas embraced in each case were Sydney, 149,187 acres ; Melbourne, 125,741 acres ; Brisbane, 246,400 acres ; Adelaide, 100,647 acres ; Perth, 119,520 acres ; and Hobart, 54,890 acres.

46. In this connection, one of the most striking features is that approximately one half of the population of each State

is to be found within the State's capital and its environs; and from the foregoing table it will be observed that of the total population of 6,630,600 in this continent of three million square miles, no less than 3,000,000 live on its Eastern and South-Eastern seaboard within an aggregate area of 1,245 square miles.

Industry.

47. Although extensive gold discoveries attracted a large number of immigrants in the early years, the development of Australia since its colonisation, less than 150 years ago, has been due more than anything else to the introduction at an early date in the history of its settlement, of merino sheep and the suitability of the climate and general conditions of Australia for the production of a high class of wool. To Captain Macarthur, one of the pioneer sheep breeders of New South Wales, is due a great deal of the credit for having successfully established the pastoral industry in Australia.

48. Wheat growing has also become an important industry of Australia; indeed, in Western Australia, wheat is of considerably greater importance than wool.

49. Highly protected manufacturing industries in Sydney and Melbourne occupy an outstanding part in the economic structure of New South Wales and Victoria; while the most striking feature of Queensland's economic life is its sugar industry, which is protected by an Australian-wide embargo against the importation of sugar.

50. Details of Australia's production are furnished in Chapter 10 of this Case, wherein the marked contrast between the nature of the production of Western Australia and that of the other States is discussed at length.

Special Geographical Features.

51. The geographic and economic features of Australia—and particularly the complete isolation of Western Australia from the other States—have such a material bearing upon the unfavourable condition of Western Australia as a State of the Commonwealth, that it has been considered desirable to devote a special chapter in Division Three of this Case to a discussion upon these questions; and by way of appendices to that chapter there are furnished the following maps:—Topographical, Rainfall, Distribution of Population, Cultivable Areas, and Railways.

CHAPTER 3.—WESTERN AUSTRALIA—HISTORICAL AND GENERAL INFORMATION.

Annexation and Early Settlement.

52. From what has been set forth in Chapter 2 it will be observed that no part of what is now Western Australia, had been included in the territory over which British possession had been formally proclaimed by virtue of Governor Phillip's Commission of 1786. Foreign powers, however, were displaying activity in Australian waters and an expedition westward under Major Lockyer was therefore despatched from New South Wales by Sir Ralph Darling, then Governor of New South Wales. On the 26th December, 1826, Lockyer landed at King George's Sound (now Albany) and hoisted the British flag.

53. With the permission of Governor Darling, Captain Stirling visited the Swan River in 1827 with a view to seizing a position on the Western Coast and reporting upon its suitability as a place of settlement; he returned with a glowing report, and urged its occupation for the purpose of settlement, suggesting, among other things, the name of Hesperia, as indicating a country looking towards the setting sun. The Secretary of State for the Colonies, however, was of the opinion ⁽¹⁾ "that it would be inexpedient on the score of expense to occupy this part of the coast." Stirling persisted in his advocacy for the settlement of the territory. On the 30th July, 1828, he addressed a long letter to the Colonial Office in which he said, *inter alia*:—

(2) "I represent it as the land out of all that I have seen in various quarters of the world that possesses the greatest natural attractions It cannot for long remain unoccupied as, by its position, it commands facilities for carrying on trade with India and the Malay Archipelago, as well as with China, and as it is, moreover, favourably circumstanced for the equipment of cruisers for the annoyance of trade in those seas, some foreign power may see the advantage of taking possession should His Majesty's Government leave it unappropriated."

54. Stirling was at last successful, the result being mainly due to the formation of an association of prospective settlers having capital at their disposal. He was appointed Lieutenant-Governor, and with a party of settlers arrived at Garden Island, near the Swan River, in the ship "Parmelia,"

(1) Historical Records of Australia, Ser. i., Vol. xiii., p.p. 739-40.

(2) Dr. Battye "History of Western Australia," p. 69.

in June, 1829. On the second of the preceding month, Captain Fremantle, in command of H.M.S. "Challenger," arrived and hoisted the British flag on the South Head of Swan River, again asserting possession of "all that part of New Holland, which is not included within the territory of New South Wales."

The Period 1829-1890.

55. The Act (10 Geo. IV., c. 22) providing for the settlement of Western Australia, enabled the King, with the advice of the Privy Council, to make, and to authorise any three or more persons to make, all necessary laws and to constitute all necessary courts, for the peace, order and good government of the settlement. ⁽¹⁾ In the year 1831 the settlement was definitely brought into existence as a Crown Colony when an Order in Council was despatched, constituting the Governor, the senior military Officer next in command, the Colonial Secretary, the Surveyor General, and the Advocate General, to be a Legislative Council to discharge the functions entrusted to them by the Act, subject to a provision for disallowance by the Secretary of State and to other qualifications. By a document under the King's Sign Manual the same officers were appointed to be an Executive Council.

56. ⁽²⁾ In the year 1832 the population numbered about 1,500; and 200 acres were under cultivation, of which 160 were producing wheat.

57. Representative Government was established in the Colony in 1870, in which year the Legislative Council was re-organised so as to consist of eighteen members, of whom twelve were to be elected, three to be nominated by the Governor, and the Colonial Secretary, the Surveyor General, and the Attorney General.

58. In the year 1878 there began an agitation, which culminated in the grant of Responsible Government in 1890.

Responsible Government, 1890-1900.

59. The first Ministry under Responsible Government in Western Australia was sworn in on the 29th December, 1890; the Cabinet consisted of John Forrest, C.M.G. (Premier and Colonial Treasurer), George Shenton (Colonial Secretary).

(1) Dr. Battye "History of Western Australia," p. 109.

(2) Dr. Battye "History of Western Australia," p. 110.

S. Burt, Q.C. (Attorney General), W. E. Marmion (Commissioner of Crown Lands), and H. W. Venn (Commissioner of Railways and Director of Public Works).

60. Western Australia was granted Responsible Government in 1890, and entered Federation in 1900. For ten years, therefore—and for ten years only—she enjoyed Responsible Government unfettered, save for the legislative supremacy of the Imperial Parliament. Sir John Forrest was Premier during the whole of that period.

61. The statement may here be ventured that no State—in fact no British Colony—has ever at any stage of its history made such rapid progress, or enjoyed such material prosperity as did Western Australia under her own Responsible Government from 1890 to 1900. In this respect the official statistics bear eloquent testimony. The population increased from 47,000 to 179,000. The railway mileage rose from 188 miles to 1,355 miles, including the lines to the distant goldfields. The revenue from posts, telegraphs and telephones increased from £26,000 to £206,000; and the mileage of telegraphs and telephones rose from 3,000 miles to 6,000 miles. The revenue increased from £414,000 to £2,800,000. The total annual external trade of Western Australia increased from £2,000,000 to £12,000,000. The acreage under agricultural crops (wheat and hay) increased from 70,000 acres to 201,000, as against an increase of 6,000 acres during the previous decade. The Fremantle Harbour Works and the Goldfields Water Scheme are enduring monuments not only of engineering genius, but of the courage and well-founded enterprise of a free Government.

62. During that period the expenditure by Western Australia on development works amounted to £12,706,000—£2,144,000 from Revenue and £10,562,000 from Loan Fund. Worked out on average population this amounts to a figure of £114 per head as compared with a corresponding average of £20 2s. 3d. for all the Australian Colonies. This expenditure was incurred in what may be characterised as developmental works such as railways, water supply, telegraphs, harbour works, and other necessary public services, including hospitals. Railway construction accounted for £6,023,000 and harbour works for £1,661,000.

63. The extensive railway construction was undertaken notwithstanding the handicap suffered by the fact that the average number of persons served by each mile of railway was exceptionally low—far lower than that of any other Aus-

tralian Colony. This handicap, of course, reflected itself in a corresponding reduction in railway revenue. In 1901, owing to the development policy, only 144 persons were served by each mile of railway, and this notwithstanding that at the end of the period the population of the Colony was approximately four times greater than it was in 1890.

64. From the time of Responsible Government and up to the 30th June, 1901, Western Australia was able to finance itself comfortably, usually completing the financial year with a surplus notwithstanding that during the period some £2,144,000 had been taken out of revenue and used for purposes of capital expenditure in developmental works. Moreover, the expenditure, as distinguished from that of any other Australian Colony, included a sinking fund to redeem loan moneys raised.

65. The foregoing facts concerning the progress of the Colony from 1890 form part of a considerable volume of evidence adduced before a Royal Commission in 1925 by way of conclusive proof that for the whole period of its existence as a self-governing Colony, prior to Federation, Western Australia faced and met the problem of developing its resources with a bolder policy than any that was followed by any other Australian Colony; and that, notwithstanding the very large drafts made on her resources by her very active developmental policy, was in an absolutely sound and favourable position compared with that of any other Colony on the mainland.

66. Undoubtedly the discovery of gold which ⁽¹⁾“almost seems to have waited for the advent of Responsible Government to declare itself,” had a striking and important bearing upon the development and prosperity of Western Australia during the period 1891-1900. It is equally patent that the free, independent, and enterprising spirit which was engendered by self-government, was a most important feature in promoting that development in mining which would have been impossible without the provision of proper transport facilities, and the installation of an adequate water supply.

67. The following is an extract from Professor Shann's book “Economic History of Australia,” pages 350-354:—

“Luckily the grant of Responsible Government freed the courage of John Forrest from the curb of Westminster. This was no race to be won with tight reins. As an explorer he had known what thirst meant in that inland country, and though attacked and reviled by the noisier ele-

(1) Dr. Battye “Western Australia,” p. 404.

ment on the 'fields,' whose growth and needs outran even the boldest measures, he laboured faithfully with the aid of subordinates as great-hearted as himself, to make habitable the harsh, ill-watered areas where the 'tother siders' swarmed. Self-government had brought release from the veto of the Colonial Office on colonial borrowing. A few years earlier, when the public debt of the colony was a million and a quarter, Governor Broome had been refused leave to borrow £500,000 for public works. The first Parliament elected under responsible government (1891) authorised the flotation in London of a loan of £1,336,000 to build an Eastern Goldfields railway from Northam to Southern Cross, to make a harbour at Fremantle, and to provide water 'out back.' The evidence of the permanence of the mines 'convinced the Premier that ample water must somehow be supplied both to the mines and the city growing up around them. Early in 1896, C. Y. O'Connor, the colony's Engineer-in-Chief, decided that the best plan was to build a weir on the Helena River, in the Darling Ranges near Perth, at a spot called Mundaring. The rainfall there averaged well over forty inches a year, and from the Mundaring Reservoir five million gallons daily could be pumped along a pipe line thirty inches in diameter, 330 miles to the Eastern Goldfields. Men gasped, but Forrest stood by his adviser, and at his wish Parliament authorised the borrowing of a million and a half to build the weir, instal the pumps, and lay the pipe line. . . . In 1896 and 1897 Western Australia was the only colony able to raise new loans in London. . . . Early in March, 1902, the 'scheme water' reached Kalgoorlie, but when it did so the great engineer who had planned and achieved this triumph had resigned his cares. It was enough for him that the pessimists were confounded. It was his brain that enabled Forrest, by public works built with British capital, to remove the great natural impediments to colonization in the south-west corner of the continent.'

68. Moreover, it was in those years that the timber industry was developed by the Government, and the foundations laid of those great primary industries which were destined to become the keystone of the arch in the economic structure of Western Australia—Agriculture and Pastoral.

69. (1) "In the matter of land legislation the Premier took advantage of the power which he had under Responsible Government to bring into practice many of the ideas which he had advocated during Crown Colony days." In 1892, before Coolgardie arose, he had introduced the Homestead Bill; and—

(2) "Through all the period of feverish mining activity he never lost sight of the advantages that would accrue to the colony through a wise and progressive policy of land settlement. Gold, he looked upon as an uncertain factor at any time, but agriculture was a permanent asset, and if undertaken with vigour, a never-failing source of prosperity. The Land regulations of 1887 offered certain inducements, but Sir John Forrest in 1893, with the Homesteads Act, went far beyond anything even suggested in the regulations. Under that Act any person being the head of a family, or a male over eighteen years of age who did not own more than 100 acres

(1) and (2) Dr. Battye "Western Australia," p. 433-4.

of land, might select within certain boundaries a free homestead of 160 acres, of which, provided he observed certain conditions as to improvements, he received the fee simple at the end of seven years. In order to assist those who settled on the land, an Agricultural Bank Act was passed in the following year. Under this Act persons improving their holdings may borrow on the value of the improvements, so as to extend the sphere of their operations. Convinced that even these concessions were not sufficient to insure agricultural development on a large scale, the Parliament in 1898 passed a comprehensive Land Act consolidating and amending previous measures. By this Act land might be acquired under a conditional purchase system, upon terms that were so easy as to be within the reach of anyone prepared to take up selections and develop them. The advantages of the system had not had time to give any appreciable result before the end of 1900, but subsequent results have more than justified the policy of the then Premier, and have proved that on the land question, as on so many others, he showed a statesman's wisdom."

The Federal Movement.

70. (3) "The Western Australian who knows the circumstances of his third of Australia . . . is well aware that Western Australia's entry into Federation was an historical accident, her leaders having been pushed and cajoled into it by two forces of external origin." So testified Professor Shann before the Royal Commission on the Constitution in 1927. He referred to the pressure brought to bear upon Sir John Forrest by Mr. Joseph Chamberlain as Secretary of State for the Colonies, and to the "separate or federate" movement on the goldfields. These circumstances, however, are not universally known or appreciated. Therefore, from a consideration of the really wonderful period of progress and prosperity which Western Australia enjoyed as a self-governing colony, it is opportune to turn to a discussion of the circumstances leading up to Western Australia's entry into Federation—an event which has retarded her progress, undermined her financial stability, and deprived her people of the benefits of self-government, as that term is ordinarily understood in a British community.

71. Western Australia was represented at the various Federal Conventions, which were held in the 'nineties; but her then Premier, Sir John Forrest, and his colleagues were opposed to Federation; and while in 1898 and 1899 referenda were held in the Eastern Colonies upon the question of adopting the Draft Federal Constitution, no such action was taken by the Parliament of Western Australia.

72. The discovery of gold, however, had caused a great influx of population from the other Australian Colonies, so that the population increased from 47,000 in 1890 to 179,000 in 1900. By this time the Federal sentiment had become very pronounced in the Eastern Australian Colonies. Hence the large numbers of gold-seekers, who were then on the Western Australian goldfields, had come across from the other colonies imbued with the Federal sentiment. Of the economic and other differences between the Colonies from which they came and the Colony in which they found themselves, they did not stop to think. ⁽¹⁾“At that time they were full of enthusiasm for the Eastern States, for the Federal movement, for the idea of one nation, one continent, and one destiny. Man does not live by bread alone, but mainly by catchwords.”

73. The Government persisted in its opposition to Federation, and in this attitude it was supported by the settled population in the agricultural areas of the Colony. That population, however, was greatly outnumbered by the newcomers on the goldfields, who commenced an agitation for Federation, which ultimately developed into the cry of “Separation or Federation” implying, that if the settled population would not federate, the goldfields would seek separation from Western Australia in order to join the Commonwealth. Whatever its merits as an astute move in political campaigning, a moment’s reflection will serve to reveal the defects of such a proposal. The goldfields are part of the western economic unit of Australia, and Kalgoorlie, the main mining centre, has for its natural ports Fremantle (on the western coast) and Esperance (on the southern coast); for its water supply it is dependent upon the Mundaring Weir on the Helena River, near Perth. Located on the fringe of the cultivable area of Western Australia, Kalgoorlie is less than 400 miles distant from Perth, and the railway line from Perth to Kalgoorlie traverses some of the richest agricultural land in the State. Adelaide, the nearest Eastern Capital, is nearly 1,200 miles distant from Kalgoorlie, and the two centres are separated by a large and comparatively unpopulated area, which is generally accepted as desert country. Moreover, it is the metropolitan or the agricultural districts of Western Australia, to which the people of the goldfields naturally look for avenues of employment for their children, and indeed, for fresh employment for themselves in their

(1) Professor Shann: Royal Commission on Commonwealth Constitution, 1927, Minutes of Evidence, p. 463.

declining health and in periods of declining prosperity in the mining areas. Finally, the goldmining industry and the other staple industries of Western Australia suffer disabilities in common in that they are retarded, and their cost of production is increased by the Federal fiscal policy of protection. Although, therefore, the Goldfields are an integral part of the separate and distinct economic system of Western Australia, nevertheless, the cry of "Separation or Federation" gained ground and the Goldfields made the very best use of it in an attempt to force the hand of the Western Australian Government towards Federation.

74. Considerable correspondence passed between the Secretary of State and the Administrator of the Colony; and it was on the 27th April, 1900, that the Secretary of State for the Colonies, Mr. Joseph Chamberlain, despatched the following telegram to Sir A. C. Onslow, the Acting-Governor of Western Australia:—

(1) "Referring to my telegram of April 5, the Premiers of the Federating colonies have, as you are probably aware, declared that they have no authority to accept any amendment in the Bill, and have abhorrence to give any instructions to delegates with regard to my suggestion. Under these circumstances, I cannot press the matter further, and I would now urge your responsible advisers to consider earnestly whether, in the best interests of the colony as well as of Australia, they should not make a resolute effort to bring the colony into federation at once.

"Unless Western Australia joins as an original State, it can only enter on the condition of complete intercolonial free-trade. The temporary protection offered by Clause 95 will, therefore, be lost; and looking to the present population of the colony, difficulty may also be experienced in securing representation as large as it would receive as an original State, and which would enable the colony to secure adequate protection for all its interests in the Federal Parliament.

"Your responsible advisers will also, of course, take into consideration the effect of the agitation by the Federal party, especially on the goldfields, if Western Australia does not enter as an original State.

"It seems to me, under the circumstances, of the utmost importance to the future of Western Australia to join at once; and as your responsible advisers have done their best to secure the modifications desired by Parliament, I would urge them to take an early opportunity of summoning Parliament, and laying the position fully before it, with a view to necessary action for ascertaining the wishes of the people as to entering federation.

"If they are agreeable to this course, a clause will be inserted in the Bill providing that Western Australia may enter as an original State, if the people have intimated their desire to be included, before the issue of Her Majesty's proclamation."

75. The Parliament of Western Australia met on the 17th May, 1900 and the Enabling Bill was introduced. In moving the second reading of this Bill for "An Act to make provision for the acceptance and enactment of a Federal Constitution for Australasia," the Premier, Sir John Forrest, said, *inter alia*:—

(1) " I think it is the opinion of a very large majority of the people of the colony, that the question is one which should be settled by the votes of the electors . . . For a country to give up its autonomy, its power of self-government, its control of its own affairs, is just about the same as a man giving up the control of his business. I do not know that it is exactly the same, but I think the question will be brought home to all of us by comparing the Government with a thing which belongs to you absolutely, but which you propose to hand over to some other people for them to join with you in the management; entering into a partnership, in fact The Commonwealth is not only for to-day, nor to-morrow, but for ever. It is indissoluble. We are going to bind ourselves to join and never separate again, unless of course we are separated by an Act of the Imperial Parliament. That would be the only thing. An Act of the Imperial Parliament could sever us as it unites us. . . . The chief reason operating no doubt in our minds, is one that does us very great credit, because I do not believe that anyone in this colony, who has any knowledge of public matters and takes the trouble to look into them thinks he is going to have any great material benefit at the present time. It is not likely that such benefit will occur now. Of course I know in the other colonies they do expect material benefit. As I have told you before, South Australia expects to have her corn and wine admitted free, whilst Victoria wants her manufactures admitted free, and Tasmania, her fruit free. As to New South Wales, I think she has not so much to gain; but Queensland wants sugar to be sent in free all over Australia . . . We know that Victoria hopes to gain very much. Tasmania also hopes to gain very much, but whether she will or not, I am not so certain. New South Wales is in the position of the mother of the family, and I am of opinion she thinks that with her vast resources and her large population, with her coal and iron, and her position generally as the wealthiest of all the colonies, she will be able, at any rate, to hold her own. In fact, Mr. Reid aptly put it when he said that when you put a terrier in with a lot of kittens, you know which will get fattest first The question arises as to what rolls shall be used for this election, and who are to vote. If we are to have this referendum on parliamentary rolls, it will be impossible for any additional persons to get on the roll under the New Constitution Act and the new Electoral Act within six months from the present time; and I expect the referendum will have to be taken very much sooner than that, because it will have to be prior to the proclamation of the Constitution in Australia If it is desired by some people that a roll should be made up specially for the referendum, then the roll so made would have to be thrown into the waste paper basket after the referendum, because such roll would not comply with the Electoral Act, which says that no man who has not been twelve months in the colony, and six months in an electoral district, can be put on the electoral roll . . . I cannot understand why there is so much objection to using the existing Parliamentary

(1) W.A. Parliamentary Debates, Vol. xvi., p.p. 74-91.

roll, for we are told that nine-tenths of the people of this Colony are in favor of federation, and if, as is said, there is a block vote on the goldfields in favor of federation, if there are 15,000 people or more on the goldfields in favour of the Bill, and I do not suppose that out of the 40,000 or 45,000 people there are more than 20,000 on the roll, then why should not the existing Parliamentary roll be used for the Referendum? . . . I should say, myself, that if we had a referendum here on the roll as it is now, it would be a quite sufficient expression of opinion on the question as to whether we should go into federation or not. I do not think we should try to sweep up votes all over the place. The people now on the roll are those who sent us to Parliament as representatives and surely they are the people who ought to decide this question of federation. Of course, if we could wait six months before taking the referendum, we could get the women also on the roll under the new Electoral Act . . . Even if we are inclined, we cannot prevent this referendum, and in fact I do not desire to prevent it. In my opinion the best course to adopt now is that, having had a good fight and having done our best, we have only one more thing to do: we have to refer this Bill to the people. . . .”

76. Notwithstanding his statement on the previous day, the Premier made the following announcement in the Legislative Assembly on the 24th April, 1900:—

(1) “I know I am out of order, but I claim the indulgence of the House for a moment, as I think it will save time in debate to inform hon. members that I propose to have prepared by Tuesday next a clause or clauses, which will have the effect of giving the right to vote to every man and woman in this country of 21 years of age and upwards who has resided in Western Australia for twelve months.”

77. The then existing electoral rolls comprised some 35,000 or 40,000 names. At the holding of the Referendum a few months later, the number of persons entitled to vote had increased to 96,065.

78. The Enabling Bill provided (Clause 10) that a majority of votes should decide the question of acceptance or rejection of the Constitution; Mr. F. C. Monger unsuccessfully moved an ⁽²⁾amendment to the effect that Federation should not be deemed to have been accepted by the people unless the number of affirmative votes exceeded 51 per cent. of the number of the electors on the roll and entitled to vote.

79. Since the votes in favour of Federation were in fact less than one half of the number of persons enrolled and entitled to vote, the rejection of the foregoing amendment had a material bearing upon the effect of the Referendum.

80. The Referendum Act became law on the 13th June, 1900. On the 9th July, the Imperial Act, “The Commonwealth of Australia Constitution Act, 1900,” received the Royal assent.

(1) W.A. Parliamentary Debates, Vol. xvi., p. 101.

(2) W.A. Parliamentary Debates, Vol. xvi., p. 238.

The Western Australian referendum was held on the 31st July, 1900; there were 96,065 electors entitled to vote whose names appeared on the roll; and the voting resulted as follows:—

	Yes.	No.
Perth Electorates	7,008	4,380
Fremantle Electorates	4,687	3,141
Country Electorates	6,775	10 357
Goldfields Electorates	26,330	1,813
Totals	44,800	19,691

81. There was thus a majority of 25,109 in favour of Federation, the goldfields majority being 24,517.

82. On the 21st August, 1900, both Houses of the Parliament of Western Australia passed Addresses to the Queen informing Her Majesty that the people of Western Australia had agreed to unite with the people of the other Australian Colonies into a Federal Commonwealth.

83. The ultimate decision of the Forrest Government to hold a referendum ⁽³⁾ "brought forward some rather cynical re-
criminations, and it is still difficult to estimate the extent of the pressure brought to bear upon some prominent politicians, which, whatever it may have been, was sufficient to make them retire from their position as avowed opponents and become ardent supporters of Federation."

The Changing Scene.

84. It has already been mentioned earlier in this chapter that the discovery of gold during the period of Responsible Government gave rise to the goldmining industry, which in the earlier years rapidly developed and became the most important industry in the State. In chapter 10 of this Case it is shown that during the period after the establishment of Federation this goldmining industry declined and that following the commencement of that decline the State Government undertook, and vigorously pursued, the policy of establishing and developing the agricultural and pastoral industries, which in course of time have become the staple industries of the State.

85. At what cost, however, and to what purpose has such development been achieved? Discussing the affairs of Western Australia in an address at the annual meeting of the Perth

(3) Dr. Battye: "History of Western Australia," p. 452.

Chamber of Commerce on the 26th August, 1930, ⁽¹⁾the then Premier of Western Australia, Sir James Mitchell, declared that he believed Secession to be the only way out; he also said, *inter alia*—

"In 1914 taxation represented 10.4 per cent. of the State's national income, but to-day it was 21 per cent., of which the State Government received 4 per cent., although it had the responsibility of doing practically everything for the people. To the total percentage mentioned had to be added the disadvantage of the tariff, as demonstrated in the prices of Australian manufactured goods, over £9,000,000 of which was imported from Eastern States last year, the Tariff costing Western Australia at least £3,000,000.

"That meant that taxation consisted of 31 per cent. of the national income. No people should be asked to bear that load. Western Australia could not float to prosperity on overseas loans."

86. These matters, however, will be discussed separately in later chapters, when the question of the chronic dislocation of the State's Finances as a result of Federation, the unexpected growth of Federal powers, and the corresponding diminution of the sovereign powers of the State will also be considered. The subjugation of the economic interests of Western Australia to those of the Eastern States is likewise a matter which is discussed at length in later chapters.

Area, Population, etc.

87. Statistical details concerning the population, area, production, etc., of Western Australia have already been given, along with those of the remaining States of the Commonwealth, in chapter 2; and in chapter 16 these matters in their special relation to the question of the desirability of Secession are further considered. The climate of Western Australia is one of the most temperate in the world, especially in the south-western portion where excessive cold is never, and excessive heat rarely known. A map of Western Australia, and a map showing the area of Western Australia in comparison with other countries are contained in the Appendices No. 1 and 2 to this chapter.

Summary.

88. Summarising the position, therefore, it may be said that Western Australia was founded in 1829, and continued as a Crown Colony until 1890. She gained her freedom with the grant of Responsible Government in 1890, only to lose it to

(1) "West Australian," 27th August, 1930.

Federation in 1900. In the absence of real self-government Western Australia's last position is worse than the first. With the Colonial Office in control, decisions from Downing Street, although revealing an understandable lack of knowledge of local affairs, were nevertheless dictated by such considerations as were, in the opinion of the Colonial Office, in the best interests of the Colony. On the other hand, however, with the Federal Government at distant Canberra in virtual control, Western Australia finds herself hopelessly isolated yet bound to bear the burdens of Federal governmental policy—and particularly the fiscal policy—which is dictated by little or no consideration for the special needs and divergent interests of Western Australia, but which is—and in the nature of things must be—pursued primarily in the interests of the Eastern States.



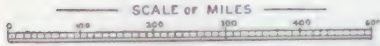


APPENDIX No. 2.

— MAP OF —

WESTERN AUSTRALIA

— Showing —

Comparative area of
other countries**COMPARATIVE AREAS**

<i>Western Australia</i>	—	975,920
	<i>Sq. Miles</i>	<i>Sq. Miles</i>
<i>England & Wales</i>	58,340	
<i>France</i>	212,659	
<i>Germany</i>	183,381	
<i>Italy</i>	119,624	
<i>Hungary</i>	36,875	
<i>Portugal</i>	35,490	
<i>Austria</i>	32,369	
<i>Denmark</i>	18,604	
<i>Holland</i>	12,587	
<i>Albania</i>	10,629	
<i>Belgium</i>	11,752	
	720,310	

Excess Area
(greater than
the combined
areas of New Zea-
land, Victoria
& Tasmania)

246,810

975,920 975,920
Sq. M. *Sq. M.*

DIVISION TWO.—FEDERATION.

Chapter 4—The Existing Constitutional Structure.

- 5—The Financial Relationship of the Commonwealth and the States.
- 6—Public and Private Finance.
- 7—The effect of Federation upon the Finances of Western Australia.
- 8—The Failure of Federalism in Australia.
- 9—Some Outstanding Disabilities of Western Australia (other than the main disabilities) under Federation.

CHAPTER 4.—THE EXISTING CONSTITUTIONAL STRUCTURE.

Foreword.

89. Before the establishment of the Commonwealth of Australia there was not any compact body of constitutional law which was uniformly authoritative in all the Australian colonies, excepting that portion of the common law of England, which limited the extent and regulated the exercise of the executive powers of the Crown and its servants, and which was applicable to colonial circumstances. The principles and usages of constitutional and parliamentary government such as existed in England had been adopted in the several colonies, but the adoption of them in each colony had taken place independently of the course followed in regard to them in the other colonies. In each of the colonies a bi-cameral legislature had been established either by an Act of the Imperial Parliament or by colonial legislation which had received the assent of the Crown, and in each case the Act which established the bi-cameral legislature was called the Constitution of the colony. Each of these constitutions contained many provisions that were substantially identical with provisions that were contained in each of the other constitutions, but they did not collectively introduce into Australia any legal relations and consequences which substantially distinguished the constitutional law of the several colonies from the constitutional law of those other portions of the British Empire, in which parliamentary government had been established. In short, the constitutional law of the Australian colonies prior to Federation was the constitutional law of England, so far as it was applicable to colonial

communities, with such modifications and additions as imperial or colonial legislation, which referred to particular colonies, had introduced into it.

90. The Commonwealth of Australia Constitution Act (Imperial 63 and 64 Victoriae, Ch. 12), which established the Commonwealth of Australia and which received the Royal Assent on the 9th day of July, 1900, contained as a substantive part thereof the Constitution of the new Commonwealth, and that Constitution introduced into Australia a totally new and compact body of constitutional law. A large part of it was taken from the constitution of the United States of America, and from the legislation of the American Congress; some of it was copied from the Constitution of Canada; and other portions of it are purely of Australian origin. It embraces the six separate States, which formerly existed as colonies, namely New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania, each having and retaining its own defined boundaries, and each being and remaining (but to a limited extent only) an independent self-governing colony with a responsible government administered according to its own Constitution.

91. Elsewhere in this Chapter and in Chapter 5 of this Case the working of the Constitution is discussed, and it is indicated how the effect and operation of the Constitution has been extended and enlarged in a manner and to a degree most surprising as the result partly of judicial interpretation and partly of the deliberate policy of the various Commonwealth Governments from time to time; but it is a rather remarkable fact that the Constitution as originally made law was not materially amended until the year 1928, when the Constitution Alteration (State Debts) Act, 1928, passed by the Parliament of the Commonwealth inserted in the Constitution a new Section (105A), which in turn has yielded most serious, surprising, and unexpected results directly inimical to the States. Much (though not all) of what is set forth in this Chapter and in Chapter 5 can be deduced from the Commonwealth of Australia Constitution Act and the Constitutions of the component States of the Commonwealth. The original Constitution, however, as judicially interpreted, and as administered by the Executive Government of the Commonwealth, has undoubtedly assumed an effect and operation in many respects never anticipated by the colonies prior to the Federal change taking place, so much so in fact that the less populated States, namely Western Aus-

tralia, South Australia, and Tasmania, have definitely come to a realisation that for them Federation is a burden and not a blessing, which even material amendments in the Constitution itself, which would be acceptable to the Commonwealth and the other States, cannot remove, even though they may alleviate, such burden. That which follows must be regarded only as a very broad and general outline of the existing constitutional structure of Australia—an outline, however, which, it is hoped, will be sufficiently informative to permit of a ready appreciation of matters discussed elsewhere in this Case.

The Essentials of the Federal Compact.

92. One of the first and primary essentials of the Federal Union was that the establishment of the Commonwealth should be authorised by Act of the British Parliament, regardless of whatever the basis or fundamental principles of that Union might be. Consequently the Commonwealth of Australia Constitution Act was introduced in and passed by the British Parliament. The Act consists of nine sections—generally referred to as the covering clauses—and the ninth section contains the Constitution itself, which comprises one hundred and twenty-eight sections (with a new Section 105A since inserted therein). The Constitution is therefore a substantive part of the Imperial Act, by which the establishment of the Commonwealth was authorised.

93. Another essential—irrespective of the basis or fundamental principles of the Union—necessary to the Constitution itself, and positively enunciated by the People of Australia themselves was that the Commonwealth of Australia as a separate and distinct legal entity should continue in allegiance to the Crown, and should be and remain portion of the British Empire. Thus Section 8 of the Imperial Act enacts that for the purposes of the Colonial Boundaries Act, 1895, the Commonwealth shall be taken to be a self-governing Colony, and as a result the Commonwealth is subject to certain Imperial legislation, for example, the Colonial Laws Validity Act, 1865, and the Merchant Shipping Acts.

94. The allegiance of the Commonwealth to the Crown involves also the prerogative right of the Crown in Privy Council to hear appeals from the decisions of Colonial Courts, and this matter was responsible for the amendment in the British Parliament of Clause 74 of the Constitution as originally drafted. This amendment preserved such prerogative

for the benefit of the States, but the circumstances in which the same may be availed of by litigants have since been brought within certain limitations by Commonwealth legislation, which will be referred to later in this chapter.

95. The Constitution has embraced the previous organisations of the six States, which constitute the Commonwealth, in one political organisation of that composite kind which is known and described as "Federal"; that is to say, the States as separately organised communities are embraced in the Commonwealth as one comprehensive community, and the whole field of legislative, executive, and judicial authority is definitely divided between the legislative executive and judicial organs of the Commonwealth on the one hand, and the legislative executive and judicial organs of the States on the other. This division of the field of governmental authority implies and necessitates a limited area of jurisdiction, within which the governmental organs of the Commonwealth can exercise their authority and a correspondingly limited jurisdiction for the governmental organs of each of the separate States. These limitations are imposed by the Constitution itself, and they are therefore legal limitations, because the Constitution supplies the fundamental and organic laws of the Commonwealth; and any doubt or dispute as to the extent of the respective jurisdictions is a matter of Constitutional law, to be determined by the judiciary of the Commonwealth, without any right of appeal from such judiciary, unless it gives its consent to such an appeal being made.

96. An examination of the existing composite political organisations discloses that there are two fundamentally distinctive patterns of Federalism. The distinctive feature of the first pattern is that it allots a limited and enumerated number of legislative, executive, and judicial powers to the governmental organs of the larger and comprehensive community, and leaves the component communities in possession of all the residue of political power and authority exercisable through the medium of law. The distinctive feature of the second pattern of Federalism is that it allots a limited and enumerated number of governmental powers to the several component communities, and vests the whole residue of political power and authority in the governmental organs of the larger and comprehensive community. The Commonwealth of Australia is an example of Federalism of the first pattern, and we find, therefore, expressed in the Constitution a limited and enumerated number of powers which are exercisable by

the Commonwealth, thus leaving to the States all the political powers and authorities not included in such number. The Dominion of Canada is an example of Federalism of the second pattern.

97. If any further explanation of the term "Federalism" in relation to the Commonwealth of Australia be necessary, the same can be found in the following extract:—"About the fundamental principle of that Constitution there can be no doubt. It is Federal in the strict sense of the term, as a reference to what was established on a different footing in Canada shows. The British North America Act, 1867, commences with the preamble that the then Provinces had expressed their desire to be Federally united into one Dominion with a Constitution similar in principle to that of the United Kingdom. In a loose sense the word "Federal" may be used, as it is there used, to describe any arrangement under which self-contained States agree to delegate their powers to a common government with a view to entirely new conditions even of the States themselves. But this natural and literal interpretation of the word confines its application to cases in which these States, while agreeing on a measure of delegation, yet in the main continue to preserve their original Constitutions" (per Viscount Haldane, L.C. in *Attorney General for the Commonwealth v. Colonial Sugar Refining Co., Ltd.*, 1914, A.C. 227, at pp. 252-3.)

98. Apart from a few of the powers conferred upon the Commonwealth and exercisable exclusively by the Commonwealth, for example, the imposition of duties of customs and of excise, the powers vested in the Commonwealth are also exercisable concurrently by the States, subject to certain conditions and qualifications which will be discussed later; and this right in the Commonwealth and in the States to exercise the same powers concurrently is definitely a vital and essential feature of the Federal Union established and agreed to by the States.

99. The Constitution also contains other important features, which were insisted upon by the Colonies when considering the proposal for a Federal Union, and which clearly are intended to operate as fundamental guarantees of the preservation of the distinctive pattern of Federalism, which was adopted in the establishment of the Commonwealth of Australia, namely—

- (1) The equal representation of all the original States in the Senate.

- (2) The prohibition of any reduction or increase in the area of any State; and
- (3) The requirement of the consent of a majority of the States as well as the consent of a majority of the total number of votes polled in all the States to any amendment of the Constitution.

100. These provisions are clearly directed towards the preservation of the separate existence and corporate life of each of the component States concurrently with the enforcement of all Federal laws uniformly in every State, which also is the expressed object of certain other sections of the Constitution. Whether or not this preservation is assured, however, has become a question, which has given rise to some doubt in the light of judicial interpretation of the Constitution, particularly in relation to the taxing powers and the spending powers of the Commonwealth. The following statement in this regard appears in "The Legislative Powers of the Commonwealth and the States of Australia," published in 1919 by the Honourable Sir John Quick, K.B., LL.D., at page 43:—"The powers vested in the Commonwealth, which have caused most surprise and yielded the most unexpected results, are the taxing powers (Section 51 (11),) and the spending power (Section 81). These powers are practically unlimited save that Federal taxation must not discriminate between States, and money must be appropriated for the purposes of the Commonwealth. Avoiding the rule against discrimination, the Federal Parliament could impose taxation in every shape and form, direct and indirect, to the monopoly of all sources of revenue, and to the exclusion and eventual destruction of the States. The gradual extension of Federal taxation and its infringement on the original tax-gathering preserves of the States is shown in the exclusive Federal control over customs and excise duties and in the double land tax (Federal and State), in the double income tax (Federal and State), in the double death and succession duty (Federal and State). . . . The process of Federal taxation may go on widening and extending until it gradually covers the whole field of possible financial resources; then will come the great day of reckoning, and the States may find themselves crippled in their finances and compelled to retrench and reduce their widening functions and expense. The spending power of the Commonwealth is not restricted to the purposes of legislation defined by Section 51, but appears to be unlimited save by its own discretion, the paying capacity of the tax-payers, and in the last resort by the ballot box. No

court of law could possibly prevent the Federal Parliament appropriating money for any purpose under the sun. This boundless power of appropriation is illustrated in the Maternity Bonus Act, the Polar Expedition grant, the Belgian grant, the proposed Bureau of Agriculture, and the proposed Bureau of Science."

101. The above statement will serve to show that in reality the Constitution, instead of assuring unto the States their corporate life and separate existence, contains the machinery with which the Commonwealth can destroy the States; and it is the improper and unreasonable use of this machinery which the people of Western Australia allege is gradually not only crippling, but will ultimately destroy, Western Australia as a separate corporate community.

102. Subject to the above observations, it can, however, be said that the principle underlying the establishment of the Commonwealth is that, whilst the colonies by federating agreed to a measure of delegation of legislative, executive and judicial powers to the Central Government of the Commonwealth, yet in the main it is intended by the Constitution that the States shall retain and be able to administer their own Constitutions, that the Commonwealth shall not be able to destroy or modify the local Government of a State, and that the State shall not be able to destroy or modify the Central Government of the Commonwealth. Thus it is that whereas by Section 5 of the Imperial Act it is enacted that that Act, the Constitution, and all laws of the Commonwealth made under the authority of the Constitution shall be binding upon the Judges, the Courts and the people of every State, nevertheless the Judges, the Courts and the people of every State are also bound by the laws of their own State, except in so far as those laws are *ultra vires* the Constitution or inconsistent with any valid law of the Commonwealth.

103. The Constitution itself is divided into eight chapters. In the first chapter, Parts II. to IV. deal with the Parliament of the Commonwealth, and Part V. deals with the powers of that Parliament. Chapter 2 provides for the Executive Government of the Commonwealth, and Chapter 3 creates the High Court of Australia as the judicial organ of the Commonwealth. Chapter 4, which is headed "Finance and Trade," contains certain clauses of vital importance, namely, Sections 81, 86, 87, 88, 90, 92, 96, 98, and 99. These particular provisions, and the new Section 105A of the Constitution are more fully set forth and their effects discussed in Chapter 5

of this Case. Chapter 5 of the Constitution deals with the original States, and contains other vital and important sections, namely, Sections 106, 107, 108, 109, 114, 117, and 118. Chapter 6 makes provision with regard to the creation of new States. Chapter 7 contains a number of miscellaneous provisions, and Chapter 8 prescribes the methods to be adopted for the alteration of the Constitution and the conditions necessary for the alteration of the Constitution.

104. Under the Constitution, therefore, a Federal Parliament, a Federal executive, and a Federal judiciary are superimposed upon the existing constitutional structures of the several component States; but it is intended that, subject to the Constitution, each State shall retain its own Constitution and shall remain in possession of and be able to exercise all the governmental rights and powers, which prior to Federation, it enjoyed as a self-governing colony and which upon Federation were not transferred by it to the Commonwealth. Already, however, during the thirty odd years of Federation the question as to whether or not certain rights and powers of the States have by Federation been transferred to the Commonwealth to the exclusion of the State has frequently been the subject of much controversy and has involved considerable judicial interpretation, generally speaking, adverse to the States.

105. As compared with the distribution of the governmental powers of the Commonwealth, the governmental powers of the States are, in the several States, distributed as follows:—The legislative power is vested in the State Parliament, which is bi-cameral, excepting in the case of Queensland, where the Legislative Council or Upper House was abolished in 1922; the executive power is vested in the Governor of the State, as His Majesty's representative, acting in the Executive Council of the State; and the judicial power is vested in the Supreme Court of the State.

106. In each sphere—Federal and State—responsible government has existed and continues to exist to the extent that Ministers have been and are members of Parliament, that the existence of ministries has been dependent upon a majority of votes in Parliament; and the Governors have acted on the advice of their Ministers.

107. Until 1927 the Seat of the Government of the Commonwealth was situated at Melbourne, in the State of Victoria; since that date it has been, and still is, situated at Canberra,

in Federal territory. The seats of the respective State Governments are situated at the capital city of each of the States respectively.

108. Finally it must be noted that the union, into which the colonies entered was a federal union, as distinct from a confederation, that is to say, it is a union of the people residing in separate communities and is not a union of States or of State Governments. Thus the Proclamation issued under the authority of Section 3 of the Imperial Act declares that the "people" of the separate colonies shall be united in a Federal Commonwealth; and, for the same reason, it is the "people" of Western Australia—not the State or the State Government—who have now expressed their desire to withdraw from such Federal Commonwealth.

The Parliament of the Commonwealth.

109. The Parliament of the Commonwealth is bicameral, and consists of the King, whose representative in the Commonwealth is the Governor-General, the Senate, and the House of Representatives. The principle underlying the Constitution is that the Senate shall represent the several States as separate communities ⁽¹⁾ (although in actual experience the case is otherwise), and that the House of Representatives is the House of the people as citizens of the Commonwealth. Therefore in the Senate the States have numerically equal representation. It is composed of six Senators from each State directly chosen by the people of each State respectively voting as one electorate. The total number of Senators therefore is thirty-six; and they are elected for a term of six years, but they retire by rotation, one half of the number of Senators from each State retiring at the end of every three years. The Commonwealth electoral laws are calculated to preserve inviolate the party nature of the Senate, as candidates for the three regular Senate vacancies for each State are entitled to have their names grouped and, as is only to be expected, this grouping is always along political lines. The franchise is the same for both the Senate and the House

(1) In substance and in fact this Senate is, and it is inevitable that it should be, a Party House and not a States' House. The Senators are elected on the same day as members of the House of Representatives and seek election under the banner of one or the other political parties of which the House of Representatives is composed, having previously been "indorsed" or "pre-selected" by the ruling body of the party to which they may happen to belong. With an occasional and very rare exception, Senators also attend and participate in the various Caucus meetings of their party colleagues who sit in the House of Representatives.

of Representatives, and no elector has more than one vote. Subject to certain disqualifications, all natural born and naturalised subjects of the King, who have lived in Australia continuously for six months are entitled to be enrolled as electors and to vote. The qualification for members of the Senate and for members of the House of Representatives is the same. The candidate must be of the full age of twenty-one years, and must be an elector entitled to vote at an election of the House of Representatives, or a person qualified to become an elector; and he must have been for three years at least a resident within the limits of the Commonwealth as existing at the time when he is chosen.

110. In the House of Representatives the number of members is determined by two factors, namely, the total number of members must as nearly as practicable be twice the number of Senators, and the number of members chosen from each State is determined upon a population basis in accordance with a prescribed formula, subject to the proviso that each of the original States shall have at least five members. The members of this House are not intended to represent the States, from which they are chosen, as communities, but to represent the People of the Commonwealth residing in the electoral districts for which they are elected. They hold office for three years, unless the House is dissolved on a dissolution.

111. Whilst, therefore, the States have numerically equal representation in the Senate, and the number of Senators is not likely to alter, and, if altered, the States must still have equal representation, the number of members in the House of Representatives chosen from the several States is liable to vary from time to time with variations of population in such States, subject, of course, to the provision that each original State shall be entitled to at least five members. This fact is illustrated by the following table:—

The State.	Number of Members	
	In 1901.	In 1931.
New South Wales	26	28
Victoria	23	20
Queensland	9	10
South Australia	7	7
Western Australia	5	5
Tasmania	5	5
Northern Territory	....	1

(without a vote)

112. The census taken by the Commonwealth early in 1933 indicates that the number of members to which South Australia was entitled in 1931 is liable to be reduced to six members. The figures in the above table, however, will serve to demonstrate that the numbers of members from the various States have varied in accordance with variations of population, so that New South Wales and Queensland have gained two members and one member respectively at the expense of Victoria. A distinct disability, however, has grown out of the present method of ascertaining the number of members to be chosen from the several States, the result of which is directly prejudicial to the less populated States, namely, South Australia, Western Australia, and Tasmania. This disability (which is more particularly dealt with in Chapter 9) has developed out of the steady and progressive trend of population to New South Wales and Victoria, and more particularly to Sydney and Melbourne as industrial States and industrial centres, so that, as the result of the present system, the members of the House of Representatives chosen from Sydney and Melbourne alone exceed in number beyond all reasonableness the numbers of the members sent from the whole of the three States mentioned.

113. The Federal Cabinet is at present composed of ten members of the House of Representatives and three Senators; and the Ministry is dependent upon the support of a majority in the House of Representatives. The Senate, therefore, has no control over Commonwealth administration. The powers of the Senate in respect of financial measures are severely limited by Section 53 of the Constitution whereby it is enacted that proposed laws appropriating revenue or moneys or imposing taxation shall not originate in the Senate; that the Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the ordinary annual services of the Government; and that the Senate may not amend any proposed law so as to increase any proposed charge or burden on the people. Otherwise the Senate has equal powers with the House of Representatives in respect of all proposed laws. The Senate may at any stage return to the House of Representatives any proposed law which the Senate may not amend, requesting, by message, the omission or amendment of any items or provisions therein. The Senate, of course, may reject a Money Bill altogether, but the potential political and constitutional consequences of action along these lines are such as to make it clear that this power

of rejection is more apparent than real. A specific illustration of this limitation is afforded in Chapter 11 of this Case, which deals with the Tariff and which reveals among other things, the impotence of the Senate in the matter of bringing about reductions in the Tariff.

The Parliaments of the States.

114. Generally speaking the Parliaments of the several States are fashioned along similar lines. With the exception of Queensland, since 1922, the Parliament of each State is bicameral, and consists of the King, whose representative is the Governor, a Legislative Council or Upper House, and a Legislative Assembly or Lower House. In 1922 the Legislative Council or Upper House in Queensland was abolished, and since that date the Parliament of Queensland has been unicameral, consisting of the King and the Legislative Assembly only.

115. No more than the above generalisation concerning the Parliaments of the various States, other than the State of Western Australia, can be attempted in this chapter; but the following tables, which give plainly the numerical strength of the various Parliaments, including the Parliament of the Commonwealth, are interesting if only to show how keenly the various States cling to the exercise of their remaining legislative powers as self-governing communities:—

Australian Parliaments.

Members of the Commonwealth and the State Parliaments in 1933.

Members in :	Commonwealth.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
Upper House	36	60	34	(a)	20	30	18	198
Lower House	76	90	65	62	46	50	30	419
Total ...	112	150	99	62	66	80	48	617

(a) Council abolished in 1922.

Ministers in Upper and Lower Houses of the Commonwealth and the State Parliaments in 1933.

Ministers with Seats in :	Commonwealth.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
Upper House	3	3	4	(a)	2	2	1	15
Lower House	10	12	8	10	4	7	5	56
Total ...	13	15	12	10	6	9	6	71

(a) Council abolished in 1922.

116. The Parliament of Western Australia was created by the Constitution conferred upon that State, as embodied in the Constitution Act, 1889, passed by the Legislative Council of the Colony in 1889, and as contained in the Schedule to the Western Australia Constitution Act, 1890 (Imperial 53 and 54 Victoria, Chapter 26), which, by Royal Proclamation, came into operation on the 21st day of October, 1890. That Constitution provided: "that there shall be, in place of the Legislative Council now subsisting, a Legislative Council and Legislative Assembly, and it shall be lawful for Her Majesty by and with the advice and consent of the said Council and the said Assembly to make laws for the peace, order, and good government of the Colony of Western Australia and its Dependencies."

117. The executive powers are vested in the King and are exercised by the Governor, as His Majesty's representative, in Executive Council. At the present time the office of Governor is vacant, but the duties of that office are performed by a Lieutenant-Governor, the Honourable Sir James Mitchell, K.C.M.G., who is appointed by His Majesty the King to act as Governor, during a vacancy in that office.

118. The Legislative Council consists of thirty members elected for ten electoral provinces, each province being represented by three members. The members are elected for a term of six years, but they retire in rotation, one member from each province retiring at the end of every two years. The franchise is determined on a property basis. Every person who is a natural born or naturalised British subject and who has resided in the State continuously for a period of six months, and who is not otherwise disqualified, and who owns freehold estate of the value of fifty pounds, or leasehold estate of an annual value of seventeen pounds, or is a householder of a house of an annual value of seventeen pounds, is entitled to be enrolled as an elector and to vote at an election of members of the Legislative Council. Generally speaking any person who is an elector or qualified to be enrolled as an elector of the Legislative Council is qualified to be elected as a member.

119. The Legislative Assembly consists of fifty members elected for fifty electoral districts, each district being represented by one member. The members are elected for a term of three years, unless the Legislative Assembly is dissolved sooner. Unlike those of the Commonwealth, the boundaries of the electoral districts are not determined on a population

basis, but due regard is had to the different economic interests of the various portions of the State, where the application of a population basis would appear to be inequitable. Thus the fifty electoral districts are at the present time distributed over the State as follows:—

Metropolitan Districts (123,682 electors)	..	17 seats
Agricultural Districts (89,405 electors)	..	21 seats
Mining and Pastoral Districts (20,880 electors)		8 seats
Northern Districts (3,231 electors)	.. ..	4 seats
Total	.. .. .	50 seats

120. Every adult person, whether male or female, who is a natural born or naturalised British subject, who has resided in the State continuously for a period of six months, and who is not subject to any legal incapacity, is entitled to be enrolled as an elector of the Legislative Assembly, and to vote at an election of members of the Legislative Assembly.

121. Generally speaking any person, whether male or female, who is an elector or qualified to be enrolled as an elector of the Legislative Assembly, may be elected as a member of that House.

The Courts of the Commonwealth—The High Court of Australia.

122. The High Court of Australia, which is the judicial organ and the Superior Court of the Commonwealth, is not the creation of the Federal Legislature, but is created and established by the Federal Constitution, although Federal legislation has been necessary not only to regulate the practice and procedure of the court, but also to give to it certain original jurisdiction not conferred upon it by the Constitution.

123. At present the court consists of a Chief Justice and five other Justices who are appointed for life. Under the Constitution it exercises an appellate jurisdiction (Section 73). and a certain limited original jurisdiction (Section 75). The original jurisdiction given to the court by the Constitution, curiously enough, does not include the power to interpret the provisions of the Constitution. That power, which now is necessarily a vitally important function of the Court, had to be conferred on the court by an Act of the Commonwealth Parliament, and power to pass such an Act was given to that Parliament by Section

76 of the Constitution. The Judiciary Act, 1903, was that Act, and from it the great bulk of the original jurisdiction of the Court springs. The Commonwealth Parliament also has power to give similar jurisdiction to the Courts of the States (Section 77 (3),) and, by another section of the Judiciary Act, 1903, has done so, so that legal matters, involving some constitutional interpretation, might go in the first instance either before the Judges of the High Court or those of the Supreme Courts of the States. Under the Constitution, however, an appeal lay from the State Courts either to a Full Court of the High Court Judges or to the Privy Council. The Commonwealth Parliament, however, anxious to deprive litigants of any right to appeal from the State Courts to the Privy Council on Federal matters, sought by a subsection of the Judiciary Act, 1903, to forbid such appeals. This subsection was declared *ultra vires* by the Privy Council in the case of *Webb v. Outrim* (1907 A.C. 81), and as a result the Federal Parliament passed an amending Judiciary Act forbidding the State Courts to entertain causes involving constitutional points and directing them to hand such matters over to the High Court. By these means, therefore, the High Court obtained original jurisdiction to interpret the Constitution. Moreover, whenever such a matter is dealt with by a Full Court of the High Court Judges their decision upon such matter now is final, because there is no appeal therefrom to the Privy Council unless the High Court itself grants a certificate consenting to an appeal from its decision to the Privy Council. Even then it may be necessary also to obtain from the Privy Council special leave to appeal.

124. The Full Court of the High Court exercises an appellate jurisdiction, not only to hear appeals from decisions of judges of that Court acting alone, but also to hear appeals from decisions of the Supreme Courts of the States. In some cases appeals from State Courts to the Full High Court lie as of right, but in others, special leave to appeal must be obtained from the High Court. Except in matters involving constitutional points, for example, the rights of the Commonwealth and the States *inter se*, or the rights of different States *inter se*, which must be referred to the High Court, an appeal from the decision of a State Supreme Court still may be had direct to the Privy Council, instead of to the High Court, but if the appeal is made to the High Court in the first instance, the decision of the latter Court on such appeal will, except in very rare instances, be final.

125. The High Court of Australia, it will be seen, is thus a co-ordinate branch of the Government of the Commonwealth, not in any way drawing its authority from the decisions of Parliament, but on the contrary empowered to declare whether those decisions themselves have any authority or not. From this fact it would seem to follow that nothing can relieve the High Court from the duty of determining whether a piece of legislation—State or Federal—is valid or not; and this view was accepted and acted upon in the Tramways Case (18 C.L.R., p. 54). It would seem also to be quite clear that where a challenged enactment relates not directly to the subject-matter of a provision of the Constitution, but to some other matter which is incidental to it, or a means of achieving it, then the High Court and not Parliament is to judge of the real relationship between the matter mentioned in the said provision of the Constitution, and the other allegedly incidental matter. The decision in *ex parte Whybrow* (11 C.L.R. 311, seems to be conclusive on this point. From the above observations, therefore, it will be realised that the power of interpretation of the Constitution exercisable by the High Court, whether in its original or appellate jurisdiction and as exercised by the Court can have and has had far-reaching effects in relation to the determination of the applicability, effect, and operation of the various provisions of the Constitution and of various Federal Acts of Parliament, and that many of the decisions of the Court have led to the most surprising and unexpected results.

The Courts of the States.

126. The Constitutions of the respective States all create a Supreme Court as the Superior Court of the State. In every State the Judges of the Supreme Court are appointed for life; there is a Chief Justice of the Court in every State, but the number of other Judges varies in the different States. In Western Australia the Constitution provides for a Chief Justice and three other Judges, although during the last two years there has been a vacancy in the office of one of the Judges.

127. In each State the Supreme Court has original as well as appellate jurisdiction. Original jurisdiction, both civil and criminal, is exercised by a single Judge. Appellate jurisdiction in matters of a quasi-criminal nature, is exercised in some cases of appeal from inferior courts by a single Judge, but in other cases of appeals both from inferior courts and

from a Judge of the Supreme Court exercising original jurisdiction, the appellate jurisdiction is exercised by two or more Judges sitting in a Full Court of the Supreme Court. Also two or more Judges sitting in Full Court constitute a Court of Criminal Appeal to hear appeals from the verdict of a jury in the Criminal Court.

128. An appeal lies from the decision of a single Judge or from the Full Court either to the High Court of Australia or to the Privy Council. In some cases the appeal lies as of right, in other cases the appeal can only be had by special leave. The State courts cannot deal with matters involving constitutional questions between the State and the Commonwealth or between one State and another State, but the courts of the States have had delegated to them jurisdiction to deal with matters arising under Federal laws, other than constitutional questions. Jurisdiction so delegated is created by Acts of the Commonwealth Parliament, and the State courts—generally inferior courts of the State—exercise the jurisdiction as an organ for the enforcement of Federal laws. The jurisdiction of any State court—inferior or superior—to deal with a matter arising under the Federal laws ceases, however, if any constitutional issue is raised and in such case the matter must be referred by the State court to the High Court of Australia, which thereafter deals with the matter.

129. In all State courts the common law of England applies, except insofar as it has been modified or varied by the Constitution or laws of the State or by any Imperial or Commonwealth law applicable to the State.

The Distribution of Powers between the Commonwealth and the States.

130. Before the establishment of the Commonwealth of Australia the colonies, which are now comprised in the Commonwealth as original States, were in the strictest sense self-governing communities exercising full legislative, executive, and judicial powers within their respective geographical boundaries and within the limits of their respective Constitutions. That those colonies, after the Federal change, were, as States, still to remain self-governing communities to the same extent as previously, with their powers limited only insofar as the interests of the State are subservient to the interests of the Commonwealth as assured for the latter by the Constitution, becomes definitely apparent upon a consideration of the

specified and enumerated powers which the colonies (now States) delegated to the Parliament of the Commonwealth and the powers over which the States retained control. Moreover a perusal of the reports of the debates at the many conventions and conferences which dealt with and formulated the Constitution leads to one conclusion only, namely, that the several colonies insisted upon that distribution of powers, which has been made, as a condition precedent to the acceptance of any scheme of Federation, which might be ultimately adopted. Thus it is that by the Constitution certain selected and enumerated powers, previously exercised by the several colonies, were upon Federation vested in the Parliament of the Commonwealth—some of them exclusively and others concurrently—and all the residue of the powers exercisable by the colonies remained vested exclusively in the colonies as States of the Commonwealth. Under the Constitution, therefore, the Parliament of the Commonwealth may make laws only with respect to those matters specified and enumerated in the Constitution, and in regard to matters which are incidental to such specified matters. With regard to some of those specified matters, only the Commonwealth Parliament may make laws, and in respect of those matters the Commonwealth Parliament is said to have exclusive power. With regard to other matters specified and enumerated in Section 51, either the Commonwealth Parliament or the State Parliaments, or both in some cases, may make laws, and in respect of those matters the Commonwealth and the States are said to have concurrent powers. Where the Constitution has not vested a power exclusively in the Commonwealth Parliament, or withdrawn it from a State Parliament, the powers of a State Parliament continue as at the establishment of the Commonwealth (Section 107).

131. With regard to matters which do not come within either the exclusive or the concurrent powers of the Commonwealth Parliament, the State Parliaments only make laws, and in regard to these matters they are said to have exclusive power. (See the *Sugar Company's case*, 17 C.L.R., at page 563; the *Engineers' case*, 28 C.L.R., at page 154.)

132. Again, the distinction between the concurrent and the exclusive powers of the Commonwealth Parliament does not limit its powers or affect the scope of its legislation. Matters within the concurrent powers are only left to the State Parliaments so long as the Commonwealth Parliament does not see fit to supersede or exclude State legislation. For example,

a State Parliament has a concurrent power to make laws relating to marriage and divorce, and it has been free to do this from the establishment of the Commonwealth, because the Commonwealth Parliament has not, except for the special purpose of the Matrimonial Causes (Expeditionary Forces) Act, 1919, legislated on these matters. The Commonwealth Parliament, however, may at any time exercise its concurrent power in relation to the said matters and indicate, expressly or impliedly, that its legislation is to be the only law in relation to such matters. It may at any time vacate a field of legislation into which it has thus entered; but so long as it occupies such field a State Parliament is excluded therefrom to the extent to which the field is covered by the Commonwealth legislation.

133. Moreover, a valid Commonwealth law prevails over a State law, because Section 109 of the Constitution provides that when a law of a State is inconsistent with a law of the Commonwealth the latter shall prevail and the former shall, to the extent of the inconsistency, be invalid. Thus it is, that a State law valid within the meaning of its own Constitution and dealing with one matter may be rendered unenforceable because a valid Commonwealth law dealing with another matter contains provisions with which the State law is inconsistent.

134. The most obvious application of Section 109 is to laws within the field of the concurrent powers, but Section 109 is not limited to such laws. It applies to every valid Commonwealth law (the *Engineers' case*, 28 C.L.R., at page 155). Two enactments may be inconsistent, although obedience to each of them may be possible without disobeying the other. This fact, however, is immaterial; the vital question is whether the Commonwealth Act on its true construction is intended to cover the whole field. If it is so intended, the inconsistency is in giving effect to the State Act, because the Commonwealth legislation is intended to exclude the State legislation, and it is this inconsistency which renders the State Act invalid (*Cowburn's case*, 37 C.L.R., 478 and 489). The distribution of powers between the Commonwealth and the States has naturally and inevitably given rise to numerous disputes concerning the nature of the power claimed, and the manner in which, and the extent to which the power may be exercised. These disputes have been the subject-matter of considerable judicial interpretation resulting in some most extraordinarily interesting phenomena, all or most of them showing a ten-

dency to enlarge the power of the Commonwealth at the expense and to the disadvantage of the States. Some four score cases involving important constitutional points have thus been decided by the High Court. The following extract is taken from a lecture on "The Growth of the Constitution—Its Impetus and its Restraint," given at Melbourne on the 8th day of June, 1932, by the Honourable R. G. Menzies, K.C., L.L.M., M.L.A., Attorney General of Victoria—"Not many years ago it was considered respectable and safe to talk about 'State rights,' but nobody talks about them to-day; if he did, nobody would understand him, because the doctrine of State rights has not only been put in abeyance so far as ordinary private discussion is concerned, but has almost met its death-knell at the hands of the High Court as a result of a series of decisions."

135. During the first nineteen years of the life of the Commonwealth, the High Court consistently adopted the view of the Constitution which was favourable to the States. It consistently adopted a view which was calculated to protect the sovereignty of the States against any intervention by the Commonwealth. It evolved the doctrines which were referred to as "the immunity of Instrumentalities" and "implied prohibitions" which simply meant that while the Commonwealth could legislate on its subject-matters and the State could legislate on the matters which were left to it, the State could never exercise its power in such a way as to interfere with the Commonwealth Government, and correspondingly that the Commonwealth could never exercise its legislative power in such a way as to interfere with the Government of the State. Prior to 1920 the High Court had held that the Constitution, being a constitution, ought to be interpreted in such a way as to avoid inconsistencies and so make each part coherent with every other part, if possible. The first High Court Judges all read the language as intended to be subjected to the test of the practical needs of Australian Government. Where in their opinion an exact adherence to the letter would fail to satisfy or would interfere with these needs, to that extent the literal meaning of the language might be modified, but no more. An example of the doctrine of "immunity of instrumentalities" was the *Railway Servants' Case* (4 C.L.R. 488) in which case it was held that the Victorian State Railways were not bound by the Commonwealth Conciliation and Arbitration Act. That decision was based upon the view that in order to preserve

the character of the Federal Constitution, one government must not be allowed to destroy the other, and therefore the Commonwealth Parliament must not be allowed to make a law which would affect the Victorian Government in relation to its railways. That doctrine existed until 1920 when the High Court, after a change in personnel, abandoned the doctrines previously held and gave an interpretation of Commonwealth power to the effect that whenever the Commonwealth legislates on the power given to it, it can bind a State just as much as it can bind any private individual. The doctrines of "implied prohibitions" and "the immunity of instrumentalities" and indeed, the whole method of reasoning from the federal nature of the Constitution were overthrown. Thenceforth the Commonwealth Constitution, like any other Act, was to be interpreted on the ordinary principles applicable to Acts of Parliament in British communities—the language employed being the only guide to its meaning without attaching any importance to the consequences of such interpretation; and with an equal disregard of the fact that however exactly the interpretation may represent the true intention of the written document, it does not represent the intention of the Australian voters who accepted it. It was the decision in the *Engineers' Case*⁽¹⁾ which marked this great turning point in the general interpretation of the Constitution. That decision in its wide application marked a revolution in the Constitution so far as the exercise of Commonwealth powers are concerned, because from that time on the Commonwealth could exercise, and has exercised, every one of its legislative powers to the

(1) The parties to this all-important case were the Amalgamated Society of Engineers and the Adelaide Steamship Company. The Engineers claimed an award in the Commonwealth Industrial Arbitration Court against a large number of respondents including, in addition to the Steamship Company whose name appears, the Government of Western Australia acting through various agencies, viz., the State Engineering Works at Fremantle and the State Saw Mills at Perth. The case is thus primarily an Industrial Arbitration case, but from it there has emerged constitutional issues of the utmost importance. The Commonwealth and all the States except Queensland, were represented at the hearing by Counsel. The High Court's judgment was as indicated above and determined among other things, that the Engineer's Award by the Federal Arbitration Court was binding on the State Government of Western Australia. It was this decision which prompted the following observation from the Hon. W. A. Holman, K.C. (N.S.W.):—

"If it had been known that one effect of Federation would have been to place the fixing of salaries of all State officers and employees in the hands of an unknown tribunal: that the payments made to the public servants of Queensland for instance, might be determined, not by the people of Queensland, but by a Court whose powers and whose personnel might well be decided upon by a majority of the other States, there might have been—probably there would have been—a different result at the adoption Referendum. In any case the possibility that this might be one of the consequences of adoption was never shown to the people, and it is, I think, matter for regret that the Judges, adhering to rather technical methods of construction, should have given a wider range to Federal powers than had been hitherto disclosed, or entered in popular imagination." ("The Australian Constitution—Its Interpretation and Amendment.") at p. 49.

full without regard to the position a State might occupy, without regard to any limitation that might otherwise have existed in favour of a State. By that decision there was given to federal powers a wider range than had hitherto been disclosed or entered into popular imagination. Thus the Commonwealth Parliament has become established, not as a body of equal authority with the State Parliament, though dealing with a different subject, but as a supreme authority, whose word can not only effectively rule the subjects of the State, but can effectively rule the Government of the State itself, and lay commands upon it which may actually threaten the existence of the State as an organisation. This later doctrine has been applied consistently by the High Court ever since its adoption by the High Court, so that the distribution of the powers between the Commonwealth and the States as prescribed by the Constitution cannot now be regarded as a clearly defined or comprehensive distribution of powers at all, inasmuch as the Commonwealth powers have been enlarged within the specified and enumerated powers as the result of judicial interpretations, and in many ways the exercise by the States of powers hitherto deemed to be exercisable by the States, has been restricted or prevented by Commonwealth legislation based on the doctrine adopted by the High Court in 1920 as previously mentioned.

136. In the main, however, the general tendency is "to enable the Commonwealth to exercise its powers throughout the whole range (except, of course, where it is otherwise expressly provided in the Constitution) as though it were a unitary Government."⁽²⁾ It is probable that the full effect of the decision of the Engineers' case has not yet been seen and will not be seen until the High Court has had to examine in detail its effect on the interpretation of the Commonwealth's taxation powers. Such an examination was nearly precipitated in 1932 when both Houses of the Commonwealth Parliament passed the Financial Emergency (State Legislation) Bill, which *inter alia* purported to prohibit the imposition of taxation by a State unless the Commonwealth Commissioner of Taxation should certify that the payment of it would not unduly impair the taxpayers' capacity to pay Commonwealth taxation. Such an examination as aforesaid became unnecessary on that occasion because owing to a change in the political conditions which prompted the introduction of the measure the Bill was not presented for the Royal assent.

(2) Professor K. H. Bailey in a paper before the Australian Institute of Political Science 1933.

The Federal Powers.

137. The fundamental powers of the Commonwealth Parliament, both exclusive and concurrent, are expressly enumerated in the Constitution, and except with one qualification, the powers which may be exercised by that Parliament are limited to those expressly enumerated. The Commonwealth Parliament is expressly authorised to make laws in respect of matters incidental to the matters specifically mentioned (Section 51 (39)); but it has already been laid down by the High Court in a number of decided cases, that the Commonwealth Parliament can lawfully make a law necessary to enable the Commonwealth to enforce another law made in the exercise of a power conferred upon it by the Constitution. (See *New South Wales v. Commonwealth* (1931), 46 C.L.R., pp. 155, 235, and 246.)

138. The expressed powers of the Commonwealth are enumerated in various sections of the Constitution, whilst other sections impose upon the Commonwealth certain restrictions upon its exercise of those powers. The main enabling provision is Section 51, which enacts that the Commonwealth Parliament shall have power to make laws for the peace, order and good government of the Commonwealth, with respect to the following matters, namely:—

- (1) Trade and commerce with other countries and among the States;
- (2) Taxation, but so as not to discriminate between States or parts of States;
- (3) Bounties on the production or export of goods, but so that such bounties shall be uniform throughout the Commonwealth;
- (4) Borrowing money on the public credit of the Commonwealth;
- (5) Postal, telegraphic, telephonic, and other like services;
- (6) The naval and military defence of the Commonwealth and of the several States, and the control of the forces to execute and maintain the laws of the Commonwealth;
- (7) Lighthouses, light-ships, beacons and buoys;
- (8) Astronomical and meteorological observations;
- (9) Quarantine;

- (10) Fisheries in Australian waters beyond territorial limits;
- (11) Census and Statistics;
- (12) Currency, coinage and legal tender;
- (13) Banking, other than State Banking; also State Banking extending beyond the limits of the State concerned, the incorporation of banks, and the issue of paper money.
- (14) Insurance, other than State insurance; also State insurance extending beyond the limits of the State concerned;
- (15) Weights and measures;
- (16) Bills of Exchange and promissory notes;
- (17) Bankruptcy and insolvency;
- (18) Copyrights, patents of inventions and designs, and trade marks;
- (19) Naturalisation and aliens;
- (20) Foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth;
- (21) Marriage;
- (22) Divorce and matrimonial causes; and, in relation thereto, parental rights, and the custody and guardianship of infants;
- (23) Invalid and old age pensions;
- (24) The service and execution throughout the Commonwealth of the civil and criminal process and the judgments of the Courts of the States;
- (25) The recognition throughout the Commonwealth of the laws, the public acts and records and the judicial proceedings of the States;
- (26) The people of any race, other than the aboriginal race, in any State for whom it is deemed necessary to make special laws;
- (27) Immigration and emigration;
- (28) The influx of criminals;
- (29) External affairs;
- (30) The relations of the Commonwealth with the islands of the Pacific;

- (31) The acquisition of property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws;
- (32) The control of railways with respect to transport for the naval and military purposes of the Commonwealth;
- (33) The acquisition, with the consent of a State, of any railways of the State on terms arranged between the Commonwealth and the State;
- (34) Railway construction and extension in any State with the consent of that State;
- (35) Conciliation and Arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State;
- (36) Matters in respect of which the Constitution makes provision until the Parliament otherwise provides;
- (37) Matters referred to the Parliament of the Commonwealth by the Parliament or Parliaments of any State or States; but so that the law shall extend only to States by whose Parliaments the matter is referred or which afterwards adopt the law;
- (38) The exercise within the Commonwealth, at the request or with the concurrence of the Parliaments of all the States directly concerned, of any power which can at the establishment of this Constitution be exercised only by the Parliament of the United Kingdom or by the Federal Council of Australasia;
- (39) Matters incidental to the execution of any power vested by this Constitution in the Parliament or in either House thereof, or in the Government of the Commonwealth, or in the Federal Judicature, or in any department or officer of the Commonwealth.

139. Section 52 of the Constitution provides that the Parliament of the Commonwealth shall, subject to this Constitution, have exclusive power to make laws for the peace, order, and good Government of the Commonwealth, with respect to:—

- (1) The seat of Government of the Commonwealth; and all places acquired by the Commonwealth for public purposes;

- (2) Matters relating to any department of the Public Service, the control of which is by the Constitution transferred to the executive government of the Commonwealth;
- (3) Other matters declared by the Constitution to be within the exclusive power of the Commonwealth.

140. It will be seen, therefore, that the Commonwealth Parliament is granted exclusive power in respect to the matters mentioned in Section 69, whilst, subject to that section, and to Section 52, it has only concurrent jurisdiction in respect to the matters mentioned in Section 51.

141. The Parliament of the Commonwealth also has power to make laws conferring original jurisdiction on the High Court in any matter—

- (1) Arising under the Constitution, or involving its interpretation;
- (2) Arising under any laws made by the Parliaments;
- (3) Relating to the same subject-matter claimed under the laws of different States (Section 76), and also to make laws—
 - (a) defining the jurisdiction of any Federal Court, other than the High Court;
 - (b) defining the extent to which the jurisdiction of any Federal Court shall be exclusive of that which belongs to or is invested in the Courts of the States;
 - (c) investing any Court of a State with Federal jurisdiction (Section 77).

142. Under Section 78 the Commonwealth Parliament may also make laws conferring rights to proceed against the Commonwealth or a State in respect of matters within the limits of judicial power.

143. Section 92 provides that on the imposition of uniform duties of customs and of excise by the Commonwealth, trade and commerce and intercourse among the States, whether by means of internal carriage or ocean navigation shall be absolutely free, but this section is qualified by Section 95, which provides that for five years after the imposition of uniform duties of customs and excise Western Australia might impose duties of customs on goods

passing into that State and not originally imported from beyond the limits of the Commonwealth. Such duties, however, were to be fixed on a sliding scale, and were to be collected by the Commonwealth.

144. The power of the Commonwealth to make laws with respect to trade and commerce extends to navigation and shipping, and to railways, the property of any State (Section 98), but Section 99 prohibits the Commonwealth from giving to one State or part of a State preference over any other State or part of a State by any law or regulation of trade or commerce. This prohibition, however, has not been complete in its restrictive effect, and has been evaded by the Commonwealth in at least one instance in relation to payment of customs duty. In the case referred to the State of Victoria was relieved of a liability to pay customs duty on the importation by that State of certain electrical goods by an exemption under a Tariff by-law, whereby any such goods were exempted from customs duty where brown coal was used in connection therewith. As Victoria is the only State in which brown coal is produced and used, the said exemption operated directly and solely for the benefit of Victoria, which by that means was given preferential treatment. The embargo against the importation of sugar—imposed mainly for the benefit of Queensland—is another case in point, which is discussed in detail in Chapter 9 of this Case.

145. The Commonwealth can by law prohibit States from giving preference or making discrimination as to railways, which is undue or unreasonable to any State (Section 102). A State shall not impose any tax on property of any kind belonging to the Commonwealth, nor shall the Commonwealth impose any tax on property of any kind belonging to a State (Section 114). The latter prohibition, however, has been held not to exclude the Commonwealth from charging and recovering from the States duties of customs on goods imported by the States (*R. v. Sutton*, 5 C.L.R., 789).

146. Section 114 also prohibits a State—but, strangely not a person within a State—from raising or maintaining any naval or military force without the consent of the Commonwealth, but on the other hand Section 119 places on the Commonwealth a statutory duty to protect every State against invasion, and, on the request of the executive Government of a State, against domestic violence. Section 115 excludes the States from the power to coin money, or to make anything but gold and silver coin a legal tender in pay-

ment of debts; whilst Section 116 forbids the Commonwealth to make any law for establishing any religion, or for imposing any religious observance, or for prohibiting the free exercise of any religion, and provides that no religious test shall be required as a qualification of any office or public trust under the Commonwealth.

147. Under Section 105 the Parliament of the Commonwealth was authorised to take over from the States their public debts as existing at the establishment of the Commonwealth. This section, however, did not authorise the Parliament of the Commonwealth to take over from the States their public debts incurred after the establishment of the Commonwealth. It has been shown in another chapter how from time to time the financial relations of the Commonwealth and the States passed through a series of changes commencing with the passing of the Surplus Revenue Act, 1910, which superseded Section 87 of the Constitution, and how a movement commenced by the Commonwealth Government about 1927 for the making of another change in those financial relations resulted in negotiations between the Commonwealth and the States for an agreement whereby the Commonwealth, subject to certain conditions, was to take over the public debts of the States as at the 30th day of June, 1927. Although the terms of this agreement were settled and approved by the Commonwealth and the States, the Commonwealth had no legal authority under the Constitution, as it then stood, to enter into such agreement, and it was found that in order to procure such authority it would be necessary to obtain an amendment of the Constitution itself. This amendment—which is the only material amendment which has been made in the Constitution since it became law—was effected by the Commonwealth Constitution Alteration (State debts) Act, 1928. The provisions of that new section, its application, and its effect are discussed in Chapter 5 of this Case.

The State Powers.

148. An examination of Section 51 of the Constitution discloses that the powers exercisable by the Commonwealth cover a wide and comprehensive field, although the main powers conferred and which are exercised by the Commonwealth are those relating to Customs and Excise, Coinage, Currency, Banking (other than State banking), Defence, Posts and Telegraphs, and External Affairs.

149. The list of powers enumerated in Section 51, however, is not by any means exhaustive, and the residue of Governmental powers and authorities and obligations left to the States, and not exercisable by or the responsibilities of the Commonwealth, still includes powers of legislation in respect to:—(1) Lands, (2) Agriculture, (3) Forestry, (4) Mining, (5) Railways and Harbours, (6) Water Supply and other Public Institutions and Essential Services, (7) Settlement, Development, and Internal Communications, (8) Local Government, (9) State Banking, (10) Education, (11) Civil and Criminal Justice, (12) Police, (13) Hospitals, Charities, Prisons, and the Relief of Unemployment.

150. By delegation, also, the States are responsible for the enforcement of, and have power to enforce, certain Commonwealth laws, and the executive Government of the Commonwealth depends upon the police forces of the States for the enforcement of its laws relating to Commonwealth instrumentalities, and to trade and commerce with other countries, and to enforce Commonwealth industrial awards.

151. The State Parliaments are the only Parliaments, which have power to pass laws relating to industrial conditions, except in relation to trade and commerce with other countries and among the States, and in relation to navigation and shipping. Awards of the Commonwealth Arbitration Court, however, prevail over State laws and awards of State Arbitration Courts, when the latter are inconsistent with the former.

152. Since industrial questions have entered largely into the politics of Australia, State politics excite the keenest party feeling and popular interest; and it follows that as the result of a preponderance of members from particular States in the Commonwealth Parliament, the decisions of the latter may well be influenced by the industrial, economic and financial interests of those particular States to the detriment or prejudice of other States not so completely represented in the Commonwealth Parliament.

153. Whilst the States may lawfully exercise exclusively the residue of Governmental powers reserved to the States by the Constitution, the question of the manner in which and the extent to which a particular State may exercise a particular power is, in many cases, inevitably bound up with the question of finance; and difficulties in regard to finance, coupled with the necessity for the exercise of its powers by a State had by 1927 created a position in which the States—and particu-

larly the less populated States—found themselves obliged to consent to the alteration of the Constitution by the insertion of the new Section 105A, in order to preserve their actual existence as separate self-governing communities. The alteration of the Constitution in the manner stated, has, however, given to the Commonwealth a weapon with which it can very seriously—and calamitously to the States—prevent or interfere with the exercise by the States of those powers, which the original Constitution intended that the States should be free to exercise, and thereby preserve their status as self-governing colonies with responsible government, which they had and enjoyed prior to the Federal Constitution becoming law.

The Working of the Constitution.

154. The task was entrusted to a Royal Commission appointed in 1927 to inquire into and report upon the Constitution and its working since Federation. That Commission was engaged in its task for a period of two years; the evidence taken is embraced in an informative publication consisting of more than 1,700 pages, and its report forms a volume of 370 pages. Particularly interesting and enlightening is the survey contained in the addresses ⁽¹⁾delivered both at the beginning and at the end of the period, during which the Commission took evidence, by the Honourable H. S. Nicholas, Counsel assisting the Commission. The subject is almost a limitless one; it merits a treatise of its own; and it is quite impracticable here to attempt to give an adequate and comprehensive account of the working of the Constitution. To attempt a mere precis would be equally futile, because on any given point the treatment would need to be so brief as to give rise to ambiguities. Chapter 5 of the Case has been devoted to a discussion on the nature and the working of the Constitution as it affects the financial relationship of the Commonwealth and the States. Therein it is shown how financially “the States are tied to the chariot wheels of the Commonwealth”; how in the taxing power (Section 51) and the spending power (Section 81), and in the far-reaching Section 105A the Commonwealth possesses the means whereby the States may be ultimately crippled. Reference, however, will have to be made to the report of the Royal Commission on the Constitution (and to the evidence taken before that Commission), and to other authoritative works for a more or less

(1) Royal Commission on the Constitution. Minutes of Evidence, pp. 4 and seq. 1662 and seq.

exhaustive account of the matter generally—for examples and illustrations as to how judicial interpretations, particularly of recent years, have so extraordinarily developed the written words of the Constitution in favour of the Commonwealth at the expense of the States; of the hopeless tangle of State and Federal industrial arbitration laws, and the ruinous effect on industry as a result of this disorderly division of powers consequent upon the interpretation of the High Court ⁽¹⁾; of the varying decisions of the High Court upon Section 92 (the trade and commerce power), and the consequential hindrances upon governmental and other action in the most vital respects; of the legalistic demarcations, which would be humorous if their effects were not so serious, as to just where one Government may commence its activities and where it must end; of the costly duplication by the Commonwealth of so many State activities, and of their collision at so many points; of how uncertainty as to whether a subject is legally a matter for attention by the State or by the Commonwealth has led to its not being dealt with at all; and of the many extraordinary anomalies and peculiarities which exist in the political institution which “works within a Procrustean frame of legal powers and in a rather forensic atmosphere.” The question ever before the State and Federal legislatures is:—Is our proposed legislation constitutional? The Bill becomes an Act, but with grave misgivings as to its complete validity. The Act is challenged. The High Court sits, and the country stands still. The political organisation of Australia certainly affords a striking illustration of Dicey’s terse expression that “Federalism is Legalism.” True, it is, that some of the points are not strictly constitutional problems at all—theoretically they could be solved not by altering the Commonwealth’s powers, but by the mode of their exercise. The Commonwealth, however, has never been inclined to modify the method

(1) Speaking of the High Court’s interpretation of Section 51 (xxxv.) of the Constitution, and of the practical effects of that interpretation, the Hon. W. A. Holman, K.C., declares in “The Australian Constitution—Its Interpretation and Amendment” (at p. 37):—“There thus began what is probably the most extraordinary scheme of duplicate legislation that any modern civilisation has seen. Practically every organised industry was regulated, and regulated twice over. The State Courts and Wages Boards on the one hand, and the Federal Arbitration Court on the other, were called upon to cover the same ground. At the Convention it had been difficult to point out what would be the true Federal disputes in industry. Now it was difficult to point out any others. Everything was Federal, and, unluckily, everything was State as well.”

“The Federal Attorney General, Mr. J. G. Latham, K.C., declared that the present system of dual Arbitration amounted to lunacy, but he admitted that personally he thought it a hopeless task to settle the question satisfactorily.”—*Vide* “Daily News” 17-11-33.

of exercising its powers, but rather to pursue very vigorously a course most calculated to accentuate the difficulty of finding a solution of the problem. With a view to removing the chaotic conditions in respect to the division of powers which have followed upon judicial interpretations of the High Court, the Commonwealth Parliament on several occasions has sponsored proposed amendments of the Constitution; but all such proposals, without exception, have been for the granting of further power to the Commonwealth with a corresponding diminution of the powers of the States; and all such proposals, when submitted to the people of Australia by way of referendum, have, with one exception, been rejected. The one outstanding exception was the approval by the people in 1928 of the new Section 105A; and in respect to that particular referendum very few voters either understood or gave any thought at all to the actual terms of the section, apparently accepting the explanation given by the Federal Attorney General just prior to the referendum—an explanation which was subsequently proved incorrect by a decision of the High Court.

155. Sir James Mitchell, when Premier of Western Australia stated in respect to Federation generally:—"Everything they said would happen has not happened, and everything they said would not happen has happened." The same can be stated in respect to the working of the Constitution itself. The failure of Federalism as a system of social organisation in Australia is a problem, which is examined and discussed in Chapter 8 of the Case.

156. Morally, if not legally, there has been a distinct breach of the agreement, by which Federation was achieved, inasmuch as judicial interpretations by the High Court and administrative actions by the Commonwealth have almost entirely abrogated Sections 106 and 107 of the Constitution, which read as follows:—

106. The Constitution of each State of the Commonwealth shall, subject to this Constitution, continue as at the establishment of the Commonwealth, or as at the admission or establishment of the State, as the case may be, until altered in accordance with the Constitution of the State.

107. Every power of the Parliament of a Colony which has become or becomes a State, shall, unless it is by this Constitution exclusively vested in the Parliament of the Commonwealth or withdrawn from the Parliament of the State, continue as at the establishment of the Commonwealth, or as at the establishment or admission of the State, as the case may be.

157. The working of the Constitution, as proved by actual experience, together with the steady growth of the policy of centralisation adopted by successive Commonwealth Governments has placed Western Australia in that unenviable position, that, if it remains a party to the Federation it will ultimately cease to exist, and, that if it desires to retain its existence as an independent self-governing State, with ability to exercise the governmental powers and authorities exercisable by it as a self-governing community. it must cease to be a party to Federation.

CHAPTER 5.—THE FINANCIAL RELATIONSHIP OF THE COMMONWEALTH AND THE STATES.

PART I.—The Distribution of Commonwealth Revenue among the States, and other special features.

Historical.

158. Customs and Excise Duties represented the chief source from which the six Australian self-governing Colonies derived their revenue with which to develop the country and manage the affairs of the State before they federated in 1901. Indeed, with the exception of New South Wales, it was almost the sole source. Income Tax and Land Tax were unknown in Western Australia in those days. ⁽¹⁾ For the three years ended 30th June, 1900, the net annual average from Customs and Excise, Posts, Telegraphs, Telephones and Defence (the chief services which ultimately became Federal) amounted in the aggregate to more than 60 per cent. of its total revenue (including in the latter a deficit of over £100,000), while for the balance of its revenue it depended upon the working profit on the railways for 20 per cent.; lands, mines, and forests for over 5 per cent.; and stamps, probates, and license fees for 7 per cent. Thus, in transferring to the Commonwealth Parliament (for the purpose of securing the economic benefits, which it was claimed would accrue by substituting in lieu of the six Colonial Tariffs, a single uniform Tariff for the whole of Australia) the exclusive power to impose duties of Customs and Excise, the States were surrendering their main source of revenue.

159. As has been mentioned in Chapter 4 of this Case, however, the Federal system for the government of Australia, as finally accepted by the then self-governing Colonies of Australia, was designed so as to leave with the States the control of and the responsibility for such important matters as Lands, Settlement and Development, Agriculture, Forestry, Mining, Railways, essential services and other public utilities, Local Government, Civil and Criminal Justice, Education, Hospitals, Charities, and Prisons and the Relief of Unemployment.

160. Clearly, therefore, the outstanding problem in the achievement of Federation was—to quote the words of Sir

(1) State Under-Treasurer's Report, 1919.

George Reid, the then Premier of New South Wales—⁽¹⁾“to reconcile the financial wisdom of the Commonwealth with the financial security of the States.”

161. Without suitable guarantees to the States for their continued financial security—for a return to the States, by one means or another, of the greater portion of the revenue derived by the Commonwealth by way of Customs and Excise—there would have been no Federation. That this was fully realised, and that the intention of the framers of the Commonwealth Constitution was to secure these guarantees for the States is made manifest by the declarations which are contained in Appendix No. 3 at the end of this chapter and which are merely a few of the many utterances of a similar nature which were made during the course of the consideration of the Draft Constitution at the various Conventions.

The “Braddon Blot”—Section 87 of the Constitution.

162. Many were the proposals brought forward for inclusion in the Draft Constitution to meet this great question ⁽²⁾“which troubled the Convention from the very first”; but one by one the various suggestions were rejected as being insufficient and unsatisfactory; so that when, at the Melbourne Session of the Australasian National Convention of 1897-98, the Constitution Bill was reported a first time to the Convention it contained no express guarantee whatever as to the return of the Federal Customs collections to the States. ⁽³⁾“After the third recommitment, Sir Edward Braddon after consultation with others of the same mind, brought up the first draft of the famous Braddon clause, providing that out of the net Customs and Excise revenue, not more than one-twentieth should be spent by the Commonwealth in the exercise of its original powers, not more than four-twentieths should be spent upon transferred services, and the remaining three-fourths should be distributed among the States . . . and it was carried . . . Mr. Holder put the argument for the clause very clearly. The Federal Treasurer would only need, for Federal purposes, a revenue of £1,500,000; but to meet the needs of the States, he ought to raise at least £6,000,000. He still thought that the best guarantee was the necessities of the States; that this clause only imposed a statutory obligation to do what in any case the Parliament would be under a political obligation to

(1) Federal Convention, Melbourne Session, 1898.

(2) Quick & Garran, “Annotated Constitution.”

(3) Quick & Garran, “Annotated Constitution,” pp. 198-9.

do. Still, he pointed out the difficulty of satisfying the electors—upon whose acceptance the Constitution depended—without plain words on the face of the Constitution; and he supported the clause without limitation . . . and the clause passed with an amendment providing that, when any part of the public debts was taken over, revenue returnable to the States might be devoted to the payment of interest. The clause was discussed yet once again, when Sir Edward Braddon consented to simplify it by omitting the distinction between different kinds of expenditure, and allowing the Commonwealth to spend one-fourth of the net receipts."

163. Arising out of the failure of the Referendum of 1898, a Premiers' Conference was held behind closed doors in Melbourne on the 29th January, 1899, and the manner in which Section 87 as it now stands in the Commonwealth Constitution, came to be adopted may be gathered from the following extract of a review of the Federal Movement in Quick and Garran's "Annotated Constitution" (p. 219):—

"The financial question proved the hardest of all to solve, and nearly caused a break-up of the Conference. Several brand-new financial schemes were offered, but none of them met with general acceptance, and the Conference, like the Convention, was obliged to fall back on the scheme in the Bill. As to the Braddon clause, every one was willing to let it go, if any substitute could be found; but every cure seemed worse than the disease. The Conference reported as follows:—

"The Premiers have given full consideration to the objections which have been urged against this clause, and have also considered other proposals which have been suggested for the purpose of giving some security to the States that a reasonable amount of the revenue collected in the States shall be returned to them, while, if possible, avoiding excessive burdens of taxation, a prolonged system of book-keeping, uncertainty as to the amount of the surplus to be divided, and uncertainty as to the method of distributing the surplus amongst the States.

"The Premiers consider that all the other proposals are open to more serious objections than those which have been raised against the clause as it appears in the Bill; but with a view to meeting the objections as far as possible, consistently with the safety of the States, the Premiers are of opinion that the operation of the clause should not continue after a period of ten years if the Parliament then desires to repeal or alter it; and that in addition power should be granted to the Parliament to deal with any exceptional circumstances which may from time to time arise in the financial position of any of the States."

"To give effect to these opinions, they limited the Braddon clause to 'a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament otherwise provides'; and added a new clause (Sec. 96) empowering the Parliament, during the same period, to grant financial assistance to any State."

164. The "Braddon Blot" was the alliterative nickname given to Section 87 in pre-Federation days—and as the "Braddon Blot" it is still known by the States to-day.

Transferred Properties.

165. Before proceeding to discuss the subsequent rearrangement of the Financial relations between the Commonwealth and the States, mention may be made of the transactions concerning the Departmental properties transferred by the States to the Commonwealth in accordance with Section 85 of the Commonwealth Constitution. The properties which were so transferred were taken over by the Commonwealth at amounts based substantially upon valuations made by the Commonwealth. Prior to and until the Financial Agreement, 1927, the Commonwealth paid to the States, interest at the rate of $3\frac{1}{2}$ per cent. per annum in respect of the properties transferred upon the amount of the valuations so ascertained. The matter of the payment of principal and interest on transferred properties was specifically dealt with in the said agreement, whereby it was provided that all questions as between the Commonwealth and Western Australia in respect of transferred properties were settled by the Commonwealth taking over £736,432 of the public debt of Western Australia, and assuming full liability for principal and interest in respect thereof.

The Substitution of Capitation Payments to the States in Lieu of Three-fourths of the Customs Revenue.

166. At the end of the 10-year period provided for in Section 87 of the Constitution, the Commonwealth Parliament passed the Surplus Revenue Act, 1910, which provided for the annual payment by the Commonwealth to the States of an amount equal to 25s. per head of their population in each year. This system was substituted in lieu of the previous arrangement whereby three-quarters of the Commonwealth's revenue from Customs and Excise was returnable to the States. The placing on the Commonwealth Statute Book of the Invalid and Old-age Pension Act was the justification for this alteration which seriously diminished the State's share of the Commonwealth's revenue. Under the new system the States had received only £5,603,191 in 1910-11 as against £8,088,905 in 1909-10 under the original system. A copy of the Agree-

ment which gave rise to the Surplus Revenue Act is contained in Appendix No. 5, at the end of this chapter. The Surplus Revenue Act of 1910 also provided (Section 5) that "the Commonwealth shall during the period of 10 years, beginning on the 1st July, 1910, and thereafter until Parliament otherwise provides, pay to the State of Western Australia by monthly instalments an annual sum, which in the first year shall be £250,000, and in each subsequent year be progressively diminished by a sum of £10,000." The reason for this special grant is as stated in paragraph 4 of the agreement which is reprinted in Appendix No. 5 at the end of this chapter.

The Surplus Revenue Subterfuge.

167. Still another feature of the Surplus Revenue Act is to be found in the provision that, in addition to the payments which have been referred to above, the Treasurer shall pay to the several States in proportion to the number of their people, all surplus Revenue (if any) in his hands at the close of each financial year. This section had its genesis in Section 94 of the Constitution. The Commonwealth has, however, evaded the obligations clearly set out therein, by the expedient of formally appropriating (but not then expending) its real surplus and paying it into a Trust Fund thereby defeating the intention of the Constitution and depriving State treasurers of much needed revenue. The legality of this practice has been affirmed by the High Court (*New South Wales v. The Commonwealth*, 7 C.L.R., 179), but that has in no wise diminished the resentment which this State feels in respect to the question. The reason for this practice as adopted by the Commonwealth was to enable the Commonwealth to pay invalid and old age pensions under an Act which had been passed in 1908. This legislation was enacted mainly at the instigation of the Victorian Government, which itself had established a system of old-age pensions and from which it sought relief. While it is probable that ultimately Western Australia would also have established such a pension scheme, it is worthy of comment that the amount paid to pensioners in this State is less than Western Australia's share on a population basis of the total cost of pensions in Australia. This action on the part of the Commonwealth Government was aggravated in the wartime years when the capitation payments by the Commonwealth were diminished by 25s. for every soldier who embarked for active service—

the greater the enlistment (and Western Australia had the highest average in the Commonwealth) the greater the deduction from the capitation payments.

The Commonwealth's Invasions into the Field of Direct Taxation.

168. Shortly after Federation Western Australia found it necessary to draw revenue from the field of direct taxation, which field, it had always been contemplated, would be reserved entirely for the States, since that was the only avenue then left them. In 1902 the State Parliament enacted a Dividend Duties Act, and in 1907 a Land and Income Tax Act. In this respect, too, the activities of the States were soon to be hampered and restricted by the activities of the Commonwealth.

169. In the year 1910 a Commonwealth Land Tax was introduced. Further encroachments upon the spheres intended to be reserved for the States were made* when the Commonwealth entered further into the field of direct taxation in competition with the States by the enactment of the Estate Duties Act in 1914, and the Income Tax Act in 1915. In this connection other Commonwealth taxes in the nature of the Wartime Profits Tax, which operated only in respect of the years 1914-1919, and the Entertainments Tax, which has since been repealed, are ignored. The imposition by the Commonwealth of further indirect taxation in the form of a Sales Tax, which represents 5 per cent. of the sale value of goods subject to the Tax, has served to impose a further strain upon the taxable capacity of the people. The great inroad made by the Commonwealth into the sphere of direct taxation is at once apparent from the table in Appendix No. 4 at the end of this chapter, which sets forth the collections of direct taxation by the Commonwealth and States from the 1st July, 1909, to the 30th June, 1933, and which may be summarised as follows:—

AUSTRALIA.

DIRECT TAXATION COLLECTIONS FROM 1st JULY, 1909,
TO 30th JUNE, 1933.

				£
Commonwealth	..	..	..	287,000,000
States	..	..	..	438,000,000
Total	..	..	..	<u>£725,000,000</u>

The Financial Re-arrangement of 1927.

170. Although less favourable to the States than the arrangement which it superseded, the system of per capita payments, nevertheless, had one redeeming feature inasmuch as these annual payments due by the Commonwealth to the States automatically increased from year to year in unison with the natural annual growth of the population of the States. Thus the capitation payments gradually increased from £5,603,191 in 1910-11 to £7,584,912 in 1926-27. The latter amount was made up as follows:—

	£
New South Wales	2,917,411
Victoria	2,127,159
Queensland	1,096,235
South Australia	703,816
Western Australia	473,432
Tasmania	266,859
	<hr/>
	£7,584,912
	<hr/>

171. Had the capitation system remained in force, the payments for the year 1932-33 would have totalled £8,203,162. In 1923, however, the Commonwealth proposed to abolish the payments of 25s. per head which, since 1910, had been paid to the States as already explained. Various "concessions," *e.g.*, partial evacuation of the field of direct taxation, were offered as a substitute for the capitation payments. All such "concessions" were regarded by the States as being most inadequate, and the various proposals were strenuously resisted by the States which unanimously claimed an indisputable moral right to a definite share of the Customs revenue. In June, 1926, the Federal Treasurer introduced the State Grants Bill, by which it was proposed to abolish the per capita payments hitherto paid to the States. The introduction of this Bill and the Treasurer's second reading speech on this Bill were nothing less than an ultimatum to the States. The Bill was not considered further until March, 1927, when the Prime Minister (Mr. Bruce) proposed that the abolition of per capita payments should take place as from the 30th June, 1928. Notwithstanding many vigorous protests by the States, the Bill was placed upon the Statute Book in April, 1927. This action by the Commonwealth left the States little option but to accept whatever substitute the Commonwealth saw fit to offer by way of recompense for withdrawal of the capitation payments.

172. Accordingly at a Conference of Commonwealth and State Ministers held in the month of July, 1927, a scheme which had been proposed by the Commonwealth was, with some modifications, forced upon the States.

“ Pegging ” the Capitation Payments.

173. Stripped of all its circumlocutory verbiage, and ignoring for the moment the points which are discussed in the next chapter of this Case, the substance of the new scheme was that in lieu of the per capita payments, the Commonwealth's contributions to the States were fixed at an annual amount of £7,584,912—the amount of the capitation payments for 1926-27—and that by way of compensation for arresting the natural annual increase in the payments, which would have otherwise accrued to the States, the Commonwealth was to make certain contributions towards sinking funds in respect of the then existing and the future public debts of the States. For State debts existing on the 30th June, 1927, a sinking fund was to be established, estimated to extinguish them in 58 years, to which the States were to contribute 5s. per cent. and the Commonwealth 2s. 6d. per cent. New public debt incurred by the States after 30th June, 1927, was to be extinguished in 53 years by the provision of a sinking fund of ten shillings per centum, to which the Commonwealth and States were to contribute equally. Where money is borrowed to fund a revenue deficiency, the amount of sinking fund contribution was to be at the rate of four per cent. per annum, and no contribution towards this sinking fund is made by the Commonwealth, unless, of course, in the case of a funding a Commonwealth revenue deficiency.

174. The arrangement then made, and as subsequently ratified, has become known as The Financial Agreement, although in Western Australia it is more popularly known as the Financial Ultimatum, because the Commonwealth Government, by reason of its superior tactical position, had, to all intents and purposes, forced the Agreement upon the unwilling States. A copy of the Financial Agreement is contained in Appendix No. 7 at the end of this chapter. The nature and the astonishingly unexpected effects of the Financial Agreement, and of the new section of the Constitution to which it gave rise are examined in Part II. of this chapter.

State Grants.

175. In addition to the annual contribution made by the Commonwealth to the State of Western Australia in accordance with the Financial Agreement, the State Treasury has, since 1926-27, received a special grant by way of partial compensation for the State's acknowledged financial disabilities under Federation. These grants have their origin in the report of a Commonwealth Royal ⁽¹⁾Commission, generally referred to as the Disabilities Commission, which was appointed in 1924, and which made the following recommendations:—

(i.) That the State of Western Australia shall, during a period of 25 years and thereafter until the Parliament otherwise provides have the absolute right to impose its own Customs and Excise Tariff, provided the duties on imports from Eastern States shall not be higher than imports from overseas.

(ii.) That until such right be granted, the Commonwealth shall pay to the State a special payment of £450,000 per annum; such special payment to commence on the 1st July, 1924.

176. Had these special grants been paid in the manner above as recommended by the Royal Commission, the payments would have totalled £4,050,000 to the 30th June, 1933. The special payments, actually received by the State have been as follows:—

1924-25	..	..	..	Nil
1925-26	..	..	..	Nil
1926-27	..	..	..	£565,905
1927-28	..	..	..	£300,000
1928-29	..	..	..	£300,000
1929-30	..	..	..	£300,000
1930-31	..	..	..	£300,000
1931-32	..	..	..	£300,000
1932-33	..	..	..	£500,000
				<hr/>
				£2,565,905

177. The amount of the disabilities grant, which has been arranged for the year 1933-34 is £500,000; a further grant of £100,000 has also been arranged for 1933-34 in order that the State might keep its deficit within the limit fixed by the Loan Council.

178. In June, 1933, the Commonwealth Government appointed a Grants Commission, whose duty it is to investigate claims under Section 96 of the Constitution submitted by any

(1) Royal Commission on the Effects of Federation upon the Finances of Western Australia, 1925.

State and to report to the Commonwealth Government its recommendation as to what grants should be made. The Commonwealth Government is not obliged to accept the recommendations of the States Grants Commission.

179. Whilst they may have served to lighten the worries of a harassed State Treasurer, these grants can in no wise be regarded either as adequate compensation or as an effective means of removing the root cause of Western Australia's main disability under Federation, which will be discussed in Division Three of this Case. At best, these grants can be regarded only as a palliative; they ease in one special direction—although not very materially—one of the bad effects of Federation; but they leave untouched the root cause of that effect, and of many other harmful effects of Federation. Even the Commonwealth Government has admitted that ⁽¹⁾“it is proper to consider the obvious fact that the mere granting of money, far from removing the causes of the trouble, may in fact increase them.”

Customs Duty imposed on Goods Imported by State Governments.

180. It is a condition of the Commonwealth Constitution (Section 114) that “a State shall not impose any tax on property of any kind belonging to the Commonwealth, nor shall the Commonwealth impose any tax on property of any kind belonging to a State.” It has been held by the High Court (*The A.G. of N.S.W. v. The Collector of Customs* C.L.R. 818) that this sweeping prohibition does not operate to preclude the Commonwealth from imposing customs duties upon goods or materials imported by a State government. In upholding the power of the Commonwealth to levy customs duties upon goods imported by State governments, four Justices of the High Court broadly decided that customs duties were levied not on the goods imported, but upon the act of importation, while the remaining Justice held that a customs duty is not a tax within the meaning of Section 114 of the Constitution. Whatever merit it may have had as ⁽²⁾“a verbal analysis of really surpassing power and ingenuity”—it occupies no less than 27 pages of the printed reports—that judgment condoned

(1) In a considered statement by the Commonwealth Government made at the Conference of Commonwealth and State Ministers, Melbourne, in May, 1926 (*vide* Report of Debates, p. 7376).

(2) W. A. Holman, K.C., “The Australian Constitution,” p. 31.

a most harmful practice, under which the Commonwealth has taken into its Consolidated Revenue amounts, which have been paid to it by the States in respect of importations of goods and materials required for essential services and public utilities, *e.g.*, locomotives, rails, electrical equipment, etc. This material has invariably been purchased from loan funds and as the customs duty has been added to the total cost of the material to the State, the public debt of the State, and the interest payable on that debt by the State, have been increased accordingly. The total cost to the State of this extraordinary exaction is not readily ascertainable but an example will suffice to illustrate its baneful effect upon the State Treasury and its unhealthy influence upon Federal finances.

181. In 1924, 10 locomotives and 32 boilers were purchased for the Western Australian Government Railways for £121,600 from State loan funds. In order to pay £32,000 demanded by the Federal Government as customs duty on these purchases, the public debt of Western Australia was increased by a further £32,000 upon which the interest is £1,450 per annum. Thus, in addition to the debt on account of the actual purchase price of the locomotives, etc., the State Government still owes to its public creditors the £32,000 borrowed to pay Federal customs duty. The State has already paid £13,000 as interest on that £32,000, and will have to continue paying such interest at the rate of £1,450 per annum.

182. The State Government contemplates adding a new power unit to its electrical supply undertaking. The material is estimated to cost £400,000; and the customs duty payable under the Federal Tariff, unless it be remitted, is estimated at £90,000.

183. The foregoing examples afford an illustration as to how the proceeds of a State loan may go to increase the revenue of the Commonwealth. This liability has considerably increased the cost of development of the States, particularly in view of the increased prices of materials since the war, and although it has been claimed that duties may be remitted, remission has been refused even where Australian factories were too busy to carry out urgent orders of a State. Extracts from correspondence in 1924 between the Premier of Western Australia and the Prime Minister of the Commonwealth on this subject are set out in Appendix No. 6 at the end of this chapter.

184. The adverse effect of the Commonwealth Tariff generally upon the finances and development of Western Australia, are examined separately in later chapters of this Case.

Anticipations and Realisations.

185. Summarising the contents of this chapter as it has thus far proceeded, the following general considerations emerge from a review of these aspects of the financial relations of the Commonwealth and the States:—

(a) That it was a cardinal principle of Federation that the Commonwealth should not embark upon activities involving expenditure of any great magnitude. The Commonwealth was expected to finance its expenditure from one-fourth of the revenue derived from Customs and Excise (under clauses 91 and 92 of the Bill as drafted at the Adelaide Convention of 1897, the annual expenditure of the Commonwealth in the exercise of the original powers given to it was limited to £300,000 and the expenditure on transferred services such as the Post Office, Defence, and Customs, was limited to £1,250,000). On a population basis this would have meant a cost of under £15,000 to Western Australia, and at the Federal Referendum it was impressed upon the people that Federation would cost little more “than the price of a packet of cigarettes.”

(b) That the States having reserved their powers and responsibilities in respect of the many important matters which have been enumerated in the opening paragraphs of this chapter, their financial security was to be secured by the return to the States of the greater portion of the Commonwealth Customs Revenue; the States were also to receive the surplus Revenue of the Commonwealth.

(c) That the States have suffered not only from a radical departure by the Commonwealth from these principles, but also from the active competition by the Commonwealth in the field of direct taxation, and from the strain placed upon the taxable capacity of the people by the Commonwealth Sales Tax.

186. It is little wonder, therefore, that as far back as 1928 in his presidential address to the Australasian Association for the Advancement of Science, Professor R. C. Mills referred to the ⁽¹⁾“pressing anomaly of the three principal taxes—land, inheritance, and income—being collected both by the States and by the Commonwealth,” and explained how “whilst each authority competes within these fields of taxation a pressing

(1) *Economic Record*, May, 1928.

problem of financial relations still remains for solution," and then proceeded:—

Further, arising from this problem and from recent developments in State and Federal finance, there appears to be now a certain maladjustment of financial means to political ends. The States find it increasingly more difficult to meet their political responsibilities from the fields of taxation which they now share with the Commonwealth, whilst the Commonwealth finds it necessary to explore new fields of expenditure in order to dispose of a superabundant revenue. For the most part deficits have for some time been characteristic of State finance and surpluses of Commonwealth finance. To ascribe this feature wholly to State extravagance and Commonwealth parsimony is not convincing. The most striking example of the successful search for new fields of expenditure is found in the Federal Aid Roads Act of 1926, whereby the Commonwealth contributes revenue to the States to be spent, under supervision, upon roads, which have hitherto been regarded as a sphere of activity belonging solely to the States.

187. This feature has not diminished with the years; rather has it increased.

The Commonwealth's Power of Appropriation.

188. Section 81 of the Constitution provides that "all revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution."

189. These words have been construed and acted upon by successive Federal Governments as containing a power of appropriation which is not confined to subject-matters within the specific legislative powers of the Federal Parliament, *e.g.*, Section 51. Such an interpretation has been relied upon by the Federal Government for its otherwise illegal expenditure in many unexpected directions. Hereunder is a list of Commonwealth Acts which may depend for their validity on the interpretation of Section 81:—

- Precious Metals Prospecting Act, 1926.
- Petroleum Prospecting Act, 1926.
- Oil Agreement Act, 1920, 1924, 1926.
- Science and Industry Research Act, 1920-1926.
- Science and Industry Endowment Act, 1926.
- Development and Migration Act, 1926 (Development).
- Maternity Allowance Act, 1912-1926.
- Australian War Memorial Act, 1925.
- Commonwealth Shipping Act, 1923.

Queen Victoria Memorial Act, 1905.
 Sugar Purchase Act, 1915, 1917, 1920.
 Sugar Purchase Act (No. 2), 1920.
 Westralian Farmers Agreement Act, 1920, 1921.
 Wheat Pool Advances Act, 1923.
 Zoological Museum Agreement Act, 1924.
 Coronation Celebration Act, 1902 (No. 3).
 Belgian Grant Act, 1914.

190. For the year ended 30th June, 1933, all the States had deficits and the Commonwealth a substantial surplus, which it refuses to disburse among the States for their legitimate expenditure—a refusal in which the Commonwealth persists, notwithstanding that its peculiar position is in a measure due to the operations of the Premiers' Plan of 1931, which was designed to meet the present crisis; a refusal which is not only contrary to the general principles of Federation, but which also distinctly violates the spirit of the Premiers' Plan. In their report, which formed the basis of that Plan, the Economists stated:—

THE ADJUSTMENT BETWEEN STATES AND COMMONWEALTH.

The Committee has confined its attention to the first problem of meeting the deficits of Australian Governments taken as a whole. The second problem of getting equilibrium in the several Governments, as well as for the whole, can be only briefly referred to.

The plan for increased revenue recommends drastic increases in Sales Tax and Primage, which benefit directly the Federal Treasury. The additional income tax for various reasons is also proposed for Federal action. In consequence, the net result of the economies in expenditures and increases of revenue proposed is to improve the Commonwealth position, much more than that of the States, and some adjustment will be necessary. . . . For the other States (*i.e.*, other than New South Wales) it is equitable that these deficits should be adjusted by special grants from the Commonwealth, so that the Commonwealth and the States concerned should be left with equal proportional deficits. It is contemplated that these remaining deficits should be met by loan pending general economic recovery. It might be possible to make the adjustment between States by suitable allocation of the burden of interest on the loan required.

The Cumulative Effects and the Special Injustice to Western Australia.

191. The cumulative effects of all these anomalies and inequities is that certain State treasuries are, and for years have been, in a condition of chronic impoverishment. More particularly has this been so in the case of Western Australia, because of her relatively undeveloped condition at the time

of Federation, the wide expanse of the area over which essential services must be rendered by the State Government, the scattered population of the State, and other circumstances, all of which have tended to aggravate the position of the State Treasury in Western Australia much more than in any other State. A brief resumé of the effects of Federation upon the finances of Western Australia is contained in Chapter 7 of this Case. In the Minutes of Evidence before the Disabilities Commission, and in the numerous tables appended to the Report of the Commission, definite evidence was adduced to show how, and why, the effects of the actions and events which have been detailed in this chapter, have adversely affected Western Australia with much greater severity than any other State. The State Treasurer is compelled to budget for a deficit, and is unable even then to secure sufficient money to enable the State Government to finance all those essential services which are expected of any government. On the other hand, the Commonwealth Government is equally hard put to find some avenue by which it may expend its ever-increasing revenue. This helps to explain why approximately £8,000,000 (in addition to £6,500,000 from Loan Funds) have been spent on Canberra, the Federal Capital; why millions of pounds have been spent under the Acts of doubtful validity as enumerated above; and why the following comment appears in the Commonwealth Auditor General's Report, dated 4th March, 1931 (paragraph 52):—

"In my 1925-26 Report, I made reference to the fact that the 952 paintings forming this collection, purchased by the Commonwealth Government in 1923-24 for £5,000, were stored at the Commonwealth Treasury, Melbourne. Although six years have elapsed since these pictures were acquired for the nation, nothing further has been done to enable the public to view these studies, depicting bird and flower life in Australia, Papua and New Guinea, and they still remain hidden away in their dust proof binders."

This also affords some explanation as to why in the Federal Budget for the current year there appear items of expenditure such as £5,000 by way of a prize for the best film Scenario, £10,000 by way of an increase in the annual salaries of Federal Parliamentarians from £750 to £825 per member, and £257,000 on account of sundry Bounties.

The War and Federation.

192. The liabilities incurred in connection with the War have undoubtedly increased the financial obligations of the Commonwealth. This is freely admitted, but in this connection

it is not difficult to appreciate the feeling which prompted the statement made on behalf of the Government of South Australia that ⁽¹⁾“it is very questionable whether the necessities of the Commonwealth in this respect are sufficient justification for the destruction of the foundations of Federation. The war indebtedness, which will disappear in the course of years, should have been met by some special form of taxation rather than by a method which undermines the basis of Federation. If the financial pressure on the States, due to the Commonwealth demands, is not relieved, it is not improbable that Federal union will have ceased to exist before the war liabilities of the Commonwealth are extinguished.”

193. While the importance of added obligations of the Commonwealth on account of the War are not overlooked, attention is drawn to the manner in which, and the extent to which, Western Australia accepted the responsibility of settling many discharged soldiers on the land—a repatriation problem, the financial obligation in respect of which should have been borne entirely by the Commonwealth, since the requirements of War and incidental expenditure were the justification upon which it invaded the taxation spheres of the States. Notwithstanding certain concessions by the Commonwealth, £7,400,000 is the amount of present Loan indebtedness of the State Government in respect of advances made by it for the land settlement of ex-service men—an undertaking on which the loss to the State Treasury was £209,500 for the financial year ended 30th June, 1933.

Australia's Financial Structure Undermined.

194. It is quite unnecessary to emphasise how dangerous it is that the financial structure of Australia as a whole should have been undermined by these grave defects of which some indication is given in this Case. Commonwealth policy has ever tended towards the aggrandisement of the Commonwealth government at the expense of the States; in the result the whole fabric of Federation—never at any time really stable—has been completely endangered. The thirst for power on the part of the Commonwealth began to make itself very evident in the early stages of Federation, as will be observed from the following prophetic declaration in a letter, published in “The Morning Post,” London, 1st April, 1902, and

(1) 1927 Report on Financial Effects of Federation on South Australia, p. 9.

written by Mr. Alfred Deakin, thrice Prime Minister of the Commonwealth (the self-same Alfred Deakin who at the Federal Conventions had given such eloquent assurances of the preservation of the rights of the States and their financial security and independence):—

“As the power of the purse in Great Britain established by degrees the authority of the Commons it will ultimately establish in Australia the authority of the Commonwealth. The rights of self-government of the States have been fondly supposed to be safeguarded by the Constitution. It has left them legally free, but financially bound to the chariot wheels of the Central Government. Their need will be its opportunity. The less populous will first succumb; those smitten by drought or similar misfortunes will follow; and finally even the greatest and most prosperous will, however reluctantly, be brought to heel. Our Constitution may remain the same, but a vital change will have taken place in the relations between the States and the Commonwealth. The Commonwealth will have acquired a general control over the States, while every extension of political power will be made by its means and go to increase its relative superiority.”

Federation, a Financial Sham.

195. The States are saddled with the responsibilities. The Commonwealth has the power. Power without responsibility has ever been dangerous; it sets too hard a strain on the virtue of ordinary men. The States still have their pressing and important obligations, but they have been deprived of their legitimate sources of revenue. Gone are the financial security and independence of the States, the guarantee of which alone enabled Federation to become an accomplished fact; and with it has gone the financial stability of Australia as a whole. Federation is a financial sham.

PART II.—The Financial Agreement and Section 105A of the Constitution—Governmental Borrowing.

196. For many years after Federation the State Governments continued to conduct and negotiate their own respective financial arrangements. Western Australia, for example, raised many loans both in Australia and in London, on the security of the Consolidated Revenue Fund of the State. These loans were arranged by the issue of Bonds, or Inscribed Stock, by way of specific flotations from time to time, by the issue of Treasury Bills and by debentures.

197. The State also arranged overdrafts with the Commonwealth Bank of Australia and with the Westminster Bank, London. It was customary for the State to allow the Westminster Bank overdraft to run up to £2,000,000 and then to liquidate the same by a loan flotation—an arrangement which appeared to be satisfactory to the bank and convenient to the State.

198. By these various means (and, in addition to loans raised from or through the Commonwealth) Western Australia had up to the year 1927 borrowed entirely upon her own security the sum of approximately £41,000,000, of which £34,000,000 were raised in London, and £7,000,000 were raised in Australia.

Co-ordinating Governmental Borrowing.

199. The establishment of the Australian Loan Council had for its object the co-ordination—not the unification—of governmental borrowing by the Commonwealth and the various States.

200. At this juncture it is necessary to turn to a further consideration of the arrangement of 1927 between the Commonwealth and the States known as the Financial Agreement.

201. The ostensible, or at any rate the primary object, of the Financial Agreement was to re-organise the system of the distribution of Commonwealth revenue among the States, as has already been explained in Part I. of this chapter. The Agreement also provided for the establishment of a body known as the Australian Loan Council to co-ordinate the future borrowings by the Commonwealth and States.

202. In accordance with the terms of the Financial Agreement the Loan Council consists of one Minister of the Commonwealth, appointed by the Prime Minister to represent the Commonwealth, and one Minister of each State appointed by the Premier of the State, to represent that State.

203. The Commonwealth, together with each State, is required to submit to the Loan Council a programme setting out the amount desired to be raised by loan for each financial year. Each programme has to state the estimated total loan expenditure for the year, and the estimated total amount of repayments of loan money which will be available during the year towards meeting such expenditure.

204. If the Loan Council decides that the total amount required to meet all the estimated loan programmes cannot be borrowed at reasonable rates, and conditions, it decides on the

amount to be borrowed, and, if the members are unanimous, it allocates such amount between the Commonwealth and the States.

205. If, however, the members are not unanimous as to the allocation of the loan money to be made available, the following formula is required by the Financial Agreement to be applied:—

- (1) The Commonwealth, if it so desires, is entitled to one-fifth or any less proportion of the amount to be borrowed.
- (2) The balance of the sum to be borrowed, after the requirements of the Commonwealth have been met, as provided for in (1), is distributed amongst the States in the proportion which the net loan expenditure of each State in the preceding five years bears to the net loan expenditure of all States during the same period.

206. Where the members of the Loan Council are unable to arrive at a unanimous decision, the matter is decided by a majority of votes of the members. Where a question is decided by a majority of votes, the member representing the Commonwealth has two votes and a casting vote, while each member representing a State is entitled to one vote. Thus, the Commonwealth and any two States voting together can out-vote the other States.

207. The Financial Agreement provides that moneys are not to be borrowed by Governments except in accordance with the Agreement, and as a general rule all future borrowings (*i.e.*, made after 1st July, 1927) whether for the Commonwealth or the States, are to be arranged by the Commonwealth under direction of the Loan Council.

208. The partial exceptions to this general rule are:—

- (a) That a State may by unanimous decision of the Loan Council be allowed to borrow abroad in its own name and issue its own securities for such borrowing. Such borrowing, however, is to be guaranteed by the Commonwealth.
- (b) That the Commonwealth or a State may borrow in its own name within Australia or the State, as the case may be, but such borrowing will be otherwise subject to the conditions of the general rule (*e.g.*, the quota fixed by the loan programme adopted for the year must not be exceeded).

- (c) That the Commonwealth or a State may borrow in its own name within Australia or the State, as the case may be, *beyond the amount fixed by the Loan Council*, if the borrowing is solely for temporary purposes, but such borrowing must conform to limits fixed by the Loan Council as regards interest and other charges.

209. As a "fair weather" scheme (and, as such, it was conceived) the Financial Agreement might not have inflicted any serious inconvenience upon the States in their handing over to the Loan Council of a certain measure of control over their borrowings. Moreover, the Agreement purported to provide that each State should retain, undiminished, its power to borrow "solely for temporary purposes." The Agreement, however, does not define just what is meant by the expression "solely for temporary purposes," although it would appear that borrowings by Governments to finance their deficits were intended to be free from the Loan Council. The financial depression, however, and the consequential inability of the Loan Council to effect the flotation of loans through the usual channels and in the usual manner, brought to light many striking and unexpected features in this lengthy and complicated Agreement which is set forth in full in Appendix No. 7 at the end of this chapter.

Financial Unification.

210. The distinction made by the Agreement between "borrowing solely for temporary purposes" and other classes of borrowing disappeared in practice; and "financial co-ordination" became "financial unification" as is evidenced in a letter written by the Chairman of the Commonwealth Bank (on behalf of the Commonwealth Bank and the Joint Stock Banks) to the Chairman of the Loan Council on the occasion when the banks insisted that, as from the end of 1930, all governmental borrowings should be made from the Commonwealth Bank and secured by Treasury Bills. The letter, dated 13th December, 1930, stated that—

(1) Owing to the practical unification of the finances of the Australian Governments through the creation of the Loan Council and the control of borrowing, it has become necessary, especially on account of the very difficult financial position, that all borrowing by Governments, whether through public loans, Treasury bills or overdrafts, should be treated by the Loan Council under the general heading of borrowing, and dealt with accordingly

(1) Shann & Copland. *The Crisis in Australian Finance*, p. 83.

by the Loan Council. . . . Individual applications, therefore, of any Government for financial assistance can only be viewed in the light of the total requirements of all the Governments all advances made to Governments should be approved by the Loan Council and arranged for by that body as the central authority the banks propose that financial assistance to be given to any Government shall be covered by Treasury Bills, issued under the authority of the Loan Council, to which body the banks will look for the discharge of the obligations created by the issue of these bills.

211. So it has come about that even in respect of the purchase of some £400,000 worth of machinery and equipment which is most urgently required by the Government of Western Australia for its Electricity Supply Department, and in respect of which the vendors of the machinery are quite prepared to accept Western Australian Government debentures by way of payment, the State Government has experienced considerable difficulty and delay extending over a period of some months in securing the approval of the Loan Council to the transaction. The seriousness of such a circumstance will be apparent when it is remembered that the Government Electricity Supply Department by agreement with the City of Perth and the City of Fremantle has accepted the sole responsibility for the supply of electricity for power and lighting purposes throughout the metropolitan area and the adjacent rural districts. The Government power house at East Perth is the only generating station for this purpose. It supplies over its various transmission system—a distance of 30 miles from Perth. The peak load has grown to such an extent that the general manager of the undertaking is of the opinion that before the proposed extensions are completed it will be necessary to ration consumers as there is not the plant available to meet the growing output. The extension programme is now twelve months behind schedule owing to the difficulty in arranging the necessary money, and at the moment the Loan Council's approval is being anticipated and tenders are being called in anticipation. The failure of having additional plant available means that industries making application for electric power will have to wait—a position no supply authority should be faced with. From now on until the proposed extensions are completed any cause necessitating one of the large turbines being thrown out of commission will mean dislocation of supply to the consumers and very serious inconvenience and loss of money to industries, in addition to throwing men out of employment. Thus, it will be realised that an essential and State public utility belonging to this State, which is producing a profit (in the last six

months amounting to £23,000) is seriously retarded and impeded in its operations by the provisions of the Financial Agreement, which places obstacles in the way of the State Government obtaining itself or through the Loan Council money necessary for urgent extensions to the plant required to meet the demands upon the utility in question.

The Interpretation and Effect of Section 105A.

212. A consideration of the provisions of the Financial Agreement necessitates also an examination and consideration of Section 105A of the Constitution. It has been explained in Chapter 4 of this Case, that, although the terms of this Agreement were settled and approved by the Commonwealth and the States, the Commonwealth had no legal authority under the Constitution, as it then stood, to enter into such agreement; and it was found that in order to procure such authority it would be necessary to obtain an amendment of the Constitution itself. This amendment was effected by the Commonwealth Constitution Alteration (State debts) Act, 1928.

213. By Section 2 of that Act the Constitution was altered by inserting after Section 105 a new section, as follows:—

105A. (1.) The Commonwealth may make agreements with the States with respect to the public debts of the States, including—

- (a) The taking over of such debts by the Commonwealth;
- (b) The management of such debts;
- (c) The payment of interest and the provision and management of sinking funds in respect of such debts;
- (d) The consolidation, renewal, conversion and redemption of such debts;
- (e) The indemnification of the Commonwealth by the States in respect of debts taken over by the Commonwealth, and
- (f) The borrowing of money by the States or by the Commonwealth or by the Commonwealth for the States.

(2.) The Parliament may make laws for validating any such agreement made before the commencement of this section.

(3.) The Parliament may make laws for the carrying out by the parties thereto of any such agreement.

(4.) Any such agreement may be varied or rescinded by the parties thereto.

(5.) Every such agreement and any such variation thereof, shall be binding upon the Commonwealth and the States parties thereto, notwithstanding anything contained in this Constitution or the Constitution of the several States or in any law of the Parliament of the Commonwealth or of any State.

(6.) The powers conferred by this Section shall not be construed as being limited in any way by the provisions of Section one hundred and five of this Constitution.

214. The insertion of this new Section 105A in the Constitution rendered valid the Commonwealth Financial Agreement Act, 1928, which ratified and embodied in a schedule thereto the Financial Agreement entered into between the Commonwealth and the States as a result of the negotiations above mentioned.

215. Subsequently trouble arose between the Commonwealth and the State of New South Wales through the default of the latter in paying to the former, in accordance with the said agreement, the State's proportion of interest due on the Public Debts taken over by the Commonwealth under the said Agreement; and out of this trouble there was created a doubt as to the liability of the Commonwealth to pay this interest in the first instance to the bondholders. So the Financial Agreements (Commonwealth Liability) Act, 1932, was passed to resolve such doubt. Under that Act the Commonwealth paid the said interest and then sought to recover the same from the State of New South Wales. The latter still defaulting, the Commonwealth Parliament, purporting to exercise the right given to it under subsection (3) of the new Section 105A of the Constitution, under which the Parliament is authorised to make laws for the carrying out by the parties thereto of the said Financial Agreement, passed the Financial Agreements Enforcement Act, 1932, the Financial Agreement Enforcement Act (No. 2), 1932, the Financial Agreements Enforcement Act (No. 3), 1932, and the Financial Agreements Enforcement Act (No. 4), 1932.

216. The full text of the Financial Agreements Enforcement Act, 1932, is contained in Appendix No. 8 at the end of this chapter; and an examination of its provisions shows that by this Act the Commonwealth Government obtained a simple and summary method—through the certificate of the Auditor-

General, a declaration of a Full Court of the High Court, and a resolution of both Houses of the Commonwealth Parliament—of attaching and diverting either in whole or any specified portion of the revenue of a State to the Commonwealth Treasury.

217. Following upon the commencement of the above-mentioned Act, and the Financial Agreements (Commonwealth Liability) Act, 1932, the State of New South Wales took action in the High Court against the Commonwealth, claiming a declaration that the whole of both Acts were *ultra vires* the Parliament of the Commonwealth, and an injunction against the Commonwealth to restrain it from putting the provisions thereof in operation. (*State of New South Wales v. Commonwealth* (1931-32) 46 C.L.R. 155). The High Court held that the Financial Agreements Enforcement Act, 1932, was a valid exercise of the legislative powers of the Federal Parliament as conferred by subsection (3) of the New Section 105A of the Constitution. The Financial Agreements Enforcement Act (No. 2), 1932, the Financial Agreements Enforcement Act (No. 3), 1932, and the Financial Agreements Enforcement Act (No. 4), 1932, were passed subsequently by the Commonwealth Parliament in order to enlarge the powers of the Commonwealth against a defaulting State and to increase the number of classes of revenue and assets of such State to which the provisions of the Financial Agreements Enforcement Act, 1932, should apply, thereby giving to the Commonwealth a more comprehensive right of attachment against the revenues and assets of the State.

218. Following upon the decision of the High Court in favour of the Commonwealth referred to above, the State of New South Wales applied to the High Court for its certificate under Section 74 of the Constitution to enable an appeal to be had against such decision to the Privy Council, but this application was refused (*State of New South Wales v. Commonwealth* 46 C.L.R. 235). In a further action in the High Court, the State of New South Wales questioned the authority of the Commonwealth, under Section 15 of the Financial Agreements Enforcement Act, 1932, to attach certain trust funds collected and belonging to a defaulting State and deposited in any bank, but again the High Court decided that the said Section 15 was a valid exercise of the legislative powers of the Commonwealth as conferred by subsection (3) of the new Section 105A of the Commonwealth (*State of New South Wales v. Commonwealth* 46 C.L.R. 246).

219. Notwithstanding the fact that the Western Australian State Government did not approve of the action of the Government of New South Wales, which was the direct cause of the said Financial Agreements Enforcement Acts of 1932 being enacted, the Western Australian State Government strongly disapproved of such legislation, and resented very keenly that unforeseen and unexpected effect and operation of Section 105A of the Constitution as interpreted by the High Court, which gives to the Commonwealth still another power, the exercise of which may well take away completely from the State its sovereign rights as a self-governing community.

220. Thus it will be realised that although the new Section 105A of the Constitution gave to the Commonwealth a further power which might be exercised for the benefit of the States, and which on the face of it appeared to be perfectly innocuous so far as the States were concerned, nevertheless it contained a latent power available to the Commonwealth never intended or contemplated by the States. Indeed, this particular aspect of the matter, namely the innocuousness of the proposed section, was specifically raised during the campaign on the referendum for the insertion of Section 105A in the Constitution; and it was explained by the then (and present) Federal Attorney-General, the Hon. J. G. Latham, K.C., in the terms of the following telegram despatch by him from Melbourne on the 26th October, 1928:—

(1) "The amendment is limited to subject-matter of debts and borrowing, and gives no general power to over-ride Constitutions. It operates only when there is unanimous agreement, and accordingly no State can be compelled to do or accept anything against its will. This limitation does not apply to other Commonwealth powers, and is designed for complete protection of State sovereignty. At present Commonwealth or State Parliaments can, by legislation, vary terms of agreements and conceivably disown them. This possibility should be excluded as to sinking fund and payments to States unless there is unanimity. The object and result will be to give States an absolute guarantee of payment of a greater amount than they now get, while retaining power of Commonwealth to increase, but not decrease, that amount. Unless amendment carried, Commonwealth may vary amount from time to time at will of Commonwealth Parliament. Only reasonable objection to amendment and agreement can be that it limits Commonwealth too much in interests of States. Commonwealth is prepared to accept this limitation only because of view that States are entitled to security which they have not now got, and which cannot now by any possible means be given to them, and because financial authorities almost unanimously agree in our view that effect of new arrangements will be to enhance Australian credit with great benefit to both States and Commonwealth and to people as a whole."

221. Upon the enactment of the Financial Agreements Enforcement Acts, and before their validity had been upheld by

(1) Quoted by Sir H. Colebatch in "Sunday Times," 19th February, 1933.

the High Court, Sir Herbert Nicholls, the Lieutenant-Governor and Chief Justice of Tasmania, directed strong criticism on that legislation.⁽¹⁾ He gave an epitome of Federation and showed how State rights had been whittled down, adding that it was a toss of the coin whether Tasmania or any other State retained the powers which they were clearly given by the Federal Constitution. He touched on the possibilities involved if the Enforcement Act were declared valid and showed the possibility of its application to Tasmania under certain conditions. He finally advised everyone to acquaint himself with the facts of the day and the underlying principles and to take his stand according to his belief. So seriously did he regard this invasion of the sovereign rights of the States that he declared:—

(2) "An Act has been passed which gives the Commonwealth the power in circumstances, which, if they do not occur naturally, possibly may be created, to seize the revenues of a State. If this forcible seizure is resisted the Commonwealth can do one of two things. It can return baffled, or it can organise and apply greater force. There is only one word for such a position. It is war. To say that the Act is only meant for this, or for that temporary purpose does not touch the question. The Act says what it says, does what it does, and gives the powers which it gives, and, as was pointed out long ago, the effects of an Act of Parliament are nearly always greater than those intended or expected. Unless this Act is repealed or allowed to expire or declared illegal by the High Court, the Federation of Australia will exist or cease at the choice of the Commonwealth Parliament, and the Ministry of the day, which will have power to destroy the States, as political entities, one by one."

222. Innocuous, however, as the provisions of Section 105A appeared to be, the High Court, by the decisions above-mentioned, gave to subsection (3) of Section 105A such an interpretation as has enabled the Commonwealth Parliament to pass legislation under which the revenues and assets of a State can be attached and taken by the Commonwealth, regardless of the effect thereof upon the efficient government of that State, merely because the State has made default in payment of money to the Commonwealth, and regardless of the fact that the State may acknowledge its debt to the Commonwealth, but may be unable to discharge such debt because its revenue is required for the urgent and pressing needs of the State. Undoubtedly the Financial Agreements Enforcements Acts above-mentioned are the most drastic pieces of legislation yet passed by the Commonwealth Parliament, and it will be

(1) "West Australian," 5th April, 1932.

(2) "West Australian," 7th April, 1932.

readily appreciated that when the States agreed to Section 105A and particularly subsection (3) of that section being inserted in the Constitution, not one of their statesmen or Constitutional lawyers conceived for an instant the possibility that subsection (3) of Section 105A would be construed in such a way as would enable the Commonwealth to attach and take the revenues of a State, and thereby strike at the very root of that State's existence. Such a power when enforced against a State which is able but unwilling to pay its debt to the Commonwealth would be drastic enough, but when exercised against a State, which is willing but unable to pay, would be unreasonable in the extreme; yet the Commonwealth, by reason of the judicial interpretation given, now has that power—a power in the hands of the Commonwealth which definitely attacks and undermines the sovereign and independent rights of the States as self-governing communities.

Summary.

223. The circumstances attendant upon the initiation, operation, and interpretation of the Financial Agreement and Section 105A of the Constitution, may therefore be summarised as follows:—

- (a) The States were practically coerced by the Commonwealth into entering into and signing the Financial Agreement.
 - (b) The Financial Agreement has unexpectedly brought about unification of finance, and has deprived the State governments of the right to make their own necessary financial arrangements for the satisfactory government of the States.
 - (c) The unexpected interpretation of Section 105A of the Constitution has given the Commonwealth a power which definitely attacks and undermines the sovereign and independent rights of the States as self-governing communities.
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APPENDIX No. 3.

The Financial Basis of Federation.

OPINIONS OF THE FRAMERS OF THE COMMONWEALTH CONSTITUTION.

SIR EDMUND BARTON (N.S.W.), *at the 1891 Sydney Convention—*

The whole principle of Federation depends on the framing of a Constitution which maintains an even line of justice between the general authority and the provincial authority. To depart from that on one side or the other would seem to me to be a forgetfulness of the interests of Australia, or of the interests of one's own colony . . . We cannot do away with the solvency of the several States or of the interests of one's own colony . . . We cannot do away with the solvency of the several States. If we do that those States die, and we have no longer a Federation, but a legislative union.

SIR GEORGE REID (Premier of N.S.W.), *at the second session of the Federal Convention held in Sydney in 1897:—*

The Federal Parliament takes away from each of the five colonies its almost sole source of revenue. This is all done in the interests of Federal union. It is done because we cannot retain this source of taxation and have Federal union. No stronger obligation under such circumstances could rest upon any body of honourable gentlemen, no matter what colony they represent, than that of not exposing the constituent parts of the Federation to financial solvency . . . If we are not prepared to believe that the outcome of this movement will be a Parliament which will protect the colonies from such obvious dangers, not to say disaster, then I say that we cannot believe in the thing itself.

And as quoted at p. 340 of the Victorian "Hansard," 1926:—

Why should the States, with their great and expensive public works to carry on, be put in the position of being at the mercy of the Federal Parliament? The Federal Parliament could cripple the States, and bring about endless confusion and irritation and bitter quarrels. If there is one thing which will keep Federal and States revolving peacefully, usefully, and harmoniously, it is the rigid definition of their appointed courses, in writing, so that nothing may be left to chance interpretation.

Mr. DUGALD THOMSON, a New South Wales member of the Federal Convention (*quoted at p. 339 of the Victorian "Hansard," 1926*):—

When subsequently the period of the operation of the Braddon Section was limited, it was expressly declared to the people of Australia from platform after platform, and specially acknowledged by the member who had most to do with the alteration, that it was recognised that the States' Governments should continue to receive a fair share of the Commonwealth revenue from Customs and Excise . . . It was claimed that the Federal Parliament would never fail to do justice to the taxpayers of Australia in view of the fact that they were also the taxpayers of the States . . . Squeeze the States into submission by starving the services of the State! It is not only strangling the States, but it is strangling the people who have the right to have the appeal made to them.

SIR WILLIAM LYNE (New South Wales), *at the second session of the Federal Convention, held in Sydney in 1897:—*

If you are going to destroy your States by taking away the money they should receive, and put them in such a position that they cannot raise revenue, except by direct taxation of a very heavy character, you must bring them so low that you might as well have unification, everything being managed directly by the Commonwealth Government and the system of shires and boroughs being extended all over the Continent.

In a memorandum on the Transfer of State Debts to the Commonwealth and financial arrangements connected therewith, furnished to 1908 Interstate Conference in Melbourne:—

The framers of the Constitution evidently had no fear that the Commonwealth Parliament would be unfair to any or to all of the States. Recognising the fact that the States were integral parts of the Commonwealth, that taken together they were the Commonwealth, they knew that no injury could be done to a State by the Commonwealth without injury to itself. Conversely, the fact was equally recognised that any loss to the Commonwealth must be felt by each and every State.

HON. ALFRED DEAKIN (Victoria), *at the third session of the Federal Convention, Melbourne, 1898:—*

As I understand the position, we all admit that, in federating the services, the States must not be deprived of that gain which they have been deriving from them in the past—upon which their past Budgets have been built, and on which their future Budgets must also be built—unless their whole financial systems are to be dislocated . . . These States must necessarily grow, and as they grow the Commonwealth revenue necessarily increases; and as the Commonwealth increases, possibly the State requirements from the Commonwealth may increase also.

Quoted at p. 339 of the Victorian "Hansard" 1926:—

Let us be careful of the rights of the States, and secure them under our Constitution, so that they may never be liable to be swept away. We should fail in our duty if we did not embody in our draft such a distinct limitation of Federal power as would put the preservation of State rights beyond the possibility of doubt.

SIR GEORGE TURNER, Premier of Victoria, *at the third session of the Federal Convention held in Melbourne, in 1898:—*

It is admitted on all hands that if we are to have a good Federation we must be careful not to do anything that will dislocate the local finances I feel stronger and stronger every day that, if we are to frame a Constitution that will be acceptable to the people of the colonies, we must be prepared, when we bring the measure before them, to say to them that we feel perfectly certain that such provisions have been made as will not throw further burdens upon them.

THE HON. I. A. ISAACS (Victoria), now Sir Isaac Isaacs, Governor-General of the Commonwealth, *as reported in Melbourne Convention Debates vol. II., pp. 1592-3:—*

I would earnestly press on the Committee, not the desirability, but the absolute necessity, if the consent of the States is to be obtained, of providing some means by which the States and the State Treasurers shall receive a guarantee that they will not be deprived of their revenues, and left in a most terrible state of uncertainty with regard to meeting their liabilities.

SIR SAMUEL GRIFFITH (Queensland), (afterwards Chief Justice of Australia), *at the 1891 Sydney Convention*:—

We must secure for the Federal Government and for the separate Governments, who will derive a great part of their revenue from the surplus Customs income of the general Government, a sufficiency of money to carry on their work. This is to be a Federation of States, and not a single Government of Australia.

SIR FREDERICK HOLDER (South Australia), *at the second session of the Federal Convention in Sydney in 1897*:—

A Federation in which the Federal authority is not interested in the solvency and prosperity of the States is such a thing as we ought not to consider for a moment. In fact, our first duty to-day is, and I think I can go further and say that the first duty of the Federal Parliament of the future will be, to conserve the interests of the States The success of Federation itself must depend on the success of every State in it, and therefore, in arguing for the strength and financial stability of the States, I am arguing not for that which is parochial, but for that which is essential to the success and strength of the Commonwealth itself I do not know a Treasurer, or a budding Treasurer, who would be willing to go back to his colony and advocate any system of Federation which did not provide for the return of practically the whole of the sum now collected from Customs and Excise to the State from the Federal authority.

SIR JOHN COCKBURN (South Australia), *at the third session of the Federal Convention held in Melbourne in 1898*:—

It would certainly sap the independence of the State to place the Federal Parliament as a sort of Lord Bountiful over the States to whom *ad misericordiam* appeals could be made. The whole proposal (that the Federal Parliament might render financial aid to any State in such manner as it thought fit) is foreign to the spirit of the Constitution The thing will not bear a moment's consideration.

THE HON. A. H. PEAKE, Treasurer of South Australia, *at the 1908 Interstate Conference held in Melbourne, quoted the Hon. I. A. Isaacs (now Sir Isaac Isaacs, Governor-General) as having said*:—

I want to say to the Colonies, "You are perfectly secure in this respect. You will not be left with your liabilities around your neck, and revenue out of your reach."

SIR JOHN FORREST (Western Australia), *in the Melbourne Convention Debates, p. 2426*:—

All we desire to say is that three-fourths of the Customs revenue shall be returned to the States. Unless the States have some security of this kind the people cannot be expected to accept the Bill It is like beating the air to tell us that we are to give up our great revenue producer—the Customs—and that we are to have no guarantee whatever that any part of that money will be returned to us, although we shall each have to provide for the payment of interest on our public debts.

THE HON. JOHN HENRY (Tasmania), *at the second session of the Federal Convention held in Adelaide in 1897*:—

Without throwing on the Federal Government a specific and definite obligation, no matter what their revenue may be and how they resist it, of providing a sum of money sufficient for the requirements of the States, it will be unsafe for the States financially to enter into the Federation.

APPENDIX No. 4.

AUSTRALIA.

TABLE SHOWING COLLECTIONS OF DIRECT TAXATION BY COMMONWEALTH AND STATES.

Collected during the period 1909 to 1933.

Year ended 30th June.					Common- wealth.	States.	Total.
					(In millions of £s).		
1910	...	...	...	...	...	4.0	4.0
1911	...	...	...	...	1.4	4.2	5.6
1912	...	...	...	...	1.4	5.4	6.8
1913	...	...	...	...	1.5	5.1	6.6
1914	...	...	...	...	1.6	6.3	7.9
1915	...	...	...	...	2.0	7.0	9.0
1916	...	...	...	...	6.6	8.1	14.7
1917	...	...	...	...	8.9	9.0	17.9
1918	...	...	...	...	11.4	9.9	21.3
1919	...	...	...	...	15.4	12.0	27.4
1920	...	...	...	...	20.3	14.3	34.6
1921	...	...	...	...	20.6	18.4	39.0
1922	...	...	...	...	22.1	18.0	40.1
1923	...	...	...	...	17.0	19.0	36.0
1924	...	...	...	...	15.1	20.4	35.5
1925	...	...	...	...	15.6	23.0	38.6
1926	...	...	...	...	15.2	25.5	40.7
1927	...	...	...	...	15.4	29.5	44.9
1928	...	...	...	...	15.2	32.2	47.4
1929	...	...	...	...	15.2	32.6	47.8
1930	...	...	...	...	16.4	33.8	50.2
1931	...	...	...	...	18.7	35.7	54.4
1932	...	...	...	...	17.1	32.8	49.9
1933	...	...	...	...	13.8	31.7	45.5
Total ...					287.9	437.9	725.8

INDIRECT TAXATION.

In addition to Customs and Excise Duties which have been collected by the Commonwealth since the commencement of Federation (and which have averaged £37,000,000 annually during the period of ten years ended 30th June, 1933) the Commonwealth has also collected the undermentioned revenue by way of Sales Tax:—

					Commonwealth Sales Tax. (In millions of £s.)
1930-31	...	...	...	...	3.5
1931-32	...	...	...	...	8.4
1932-33	...	...	...	...	9.3
1933-34 (estimate)	...	...	...	...	7.8

APPENDIX No. 5.

INTERSTATE CONFERENCE, MELBOURNE, AUGUST, 1909.

Agreement on Commonwealth and State Finance.

Commonwealth and State Finance.—Agreement between the Prime Minister of the Commonwealth and the Premiers of the several States.

In the public interests of the people of Australia, to secure economy and efficiency in the raising and spending of their revenues, and to permit their Governments to exercise unfettered control of their receipts and expenditure, it is imperative that the financial relations of the Federal and State Governments—which under the Constitution were determined only in part, and for a term of years—should be placed upon a sound and permanent basis.

It is therefore agreed by the Ministers of State of the Commonwealth and the Ministers of the Component States in conference assembled to advise:—

1. That to fulfil the intention of the Constitution by providing for the consolidation and transfer of State deb'ts, and in order to insure the most profitable management of future loans by the establishment of one Australian Stock, a complete investigation of this most important subject shall be undertaken forthwith by the Governments of the Commonwealth and the States. This investigation shall include the question of the actual cost to the States of transferred properties as defrayed out of loan or revenue moneys.
2. That in order to give freedom to the Commonwealth in levying duties of Customs and Excise, and to assure to the States a certain annual income, the Commonwealth shall, after the first day of July, One thousand nine hundred and ten, pay monthly to the States a sum calculated at the rate of One pound five shillings per annum per head of population according to the latest statistics of the Commonwealth.
3. That in recognition of the heavy obligations incurred in the payment of Old-age Pensions, the Commonwealth may, during the current financial year, withhold from the moneys returnable to the States such sum (not exceeding Six hundred thousand pounds) as will provide for the actual shortage in the revenue at the end of the said year. If such shortage amounts to Six hundred thousand pounds the basis of contribution by the States shall be Three shillings per head of population in the Pension States (viz., New South Wales, Victoria, and Queensland) and Two shillings per head of population in the Non-pension States (viz., South Australia, Western Australia, and Tasmania). If such shortage be less than Six hundred thousand pounds the contributions shall be reduced proportionately per head of population as between the Pension and the Non-pension States.
4. That in view of the large contribution to the Customs revenue "per capita" made by the State of Western Australia the Commonwealth shall (in addition to the payments provided for in paragraph No. 2)

make to such State special annual payments, commencing at Two hundred and fifty thousand pounds in the financial years One thousand nine hundred and ten and One thousand nine hundred and eleven, and diminishing at the rate of Ten thousand pounds per annum. The Commonwealth shall in each year deduct on a "per capita" basis from the moneys payable to the States of the Commonwealth an amount equal to one half of the sum so payable to the State of Western Australia.

5. That the Government of the Commonwealth bring before the Parliament during this session the necessary measure to enable an alteration of the Constitution (giving effect to the preceding paragraphs Nos. 2, 3, and 4) to be submitted to the electors.

ALFRED DEAKIN, Prime Minister of the
Commonwealth of Australia.

C. G. WADE, Premier of New South Wales.

W. KIDSTON, Premier of Queensland.

N. J. MOORE, Premier of Western Australia.

J. MURRAY, Premier of Victoria.

A. H. PEAKE, Premier of South Australia

N. E. LEWIS, Premier of Tasmania.

Conference Chamber,
State Parliament House,
Melbourne, 20th August, 1909.

APPENDIX No. 6.

EXTRACT FROM LETTER, DATED 2nd APRIL, 1924, FROM THE PREMIER OF WESTERN AUSTRALIA TO THE PRIME MINISTER.

The Government of this State has recently been under the necessity of obtaining ten new locomotives in order to cope with the increasing traffic of its railways which has arisen from its vigorous policy of development. .

Tenders were invited in Australia and in Great Britain. One Australian tender only was received viz. from Messrs. Thompson & Co., Castlemaine, Victoria, quoting delivery in 16 to 24 months' time. This delivery was subject to the non-acceptance by the Federal Government of a tender submitted by the firm for fourteen locomotives for the Oodnadatta Railway, in the event of the acceptance of which the firm would be unable to undertake the work except upon a greatly extended period of delivery, which put their tender altogether beyond further consideration. The most favourable British tender—that of the North British Locomotive Company—quoted delivery f.o.b. in six months.

It being essential, in order to meet the prospective demands of traffic, that this new locomotive power be made available to the Railway Department by the close of the present year, and press reports having indicated that your Government had accepted Messrs. Thompson & Co.'s tender for the fourteen locomotives referred to, I had no alternative but to accept the tender of the North British Company, and I now submit to you a request that, in view of the circumstances, your Government will direct that these locomotives be admitted free of Customs duty.

Apart from the question of delivery dates, I put the following considerations:—

- (a) Our own locomotive workshops are, and will be for some time to come, fully occupied with a programme covering the construction of twenty new locomotives and the super-heating of many others. Demands for replacement of locomotive boilers are also abnormal, due to the large number of locomotives (107) placed in traffic over twenty years ago (1901-1903) which are now coming in for replacement.
- (b) My Government has incurred very considerable loan expenditure in plant and machinery to facilitate the local building of locomotives and boilers at our own shops, proof of which is found in our ability to undertake the building of the twenty locomotives above mentioned, and to have increased our boiler production from six in the year ended 30th June, 1918, and four in the year 1918-19 to 26 during the present financial year and probably more than that next year. It has been necessary to import 32 boilers to make up the balance of our abnormal requirements for the two years 1st July, 1923, to 30th June, 1925, but the plant installed by this Government will be adequate for normal requirements for some years to come.

5. Without regarding the enormous differences in prices and the interest bill involved thereby, if it had been possible for this State to have accepted the Australian tender (as your Government found it practicable to do), that tender might have been accepted. But my predecessors in

office were not in a position, as your Railway Administration apparently was, to make arrangements which would not necessitate the purchase of other locomotives. The delivery quoted your Government by the Victorian firm—April-November, 1925—would have been too late for our pressing requirements. . . .

It would have been infinitely harmful to this part of Australia to have taken any action other than that which would secure this haulage power for our products in sufficient time to haul them to the coast for export. You will probably realise that it would have been unthinkable to let our products of wheat, timber, &c., lie at sidings in the country until Messrs. Thompson and Co., of Castlemaine, could build the locomotives to haul them to the ports. . . .

EXTRACT FROM LETTER, DATED THE 25th AUGUST, 1924, FROM
THE PRIME MINISTER.

With reference to your predecessor's letter of the 2nd April, in which it was requested that ten new locomotives and 32 boilers being obtained for the Railways of your State be admitted free of Customs duty, I desire to inform you that the matter has been carefully considered by my colleague, the Minister for Trade and Customs, who regrets, however, that the request cannot be acceded to.

EXTRACT FROM LETTER, DATED THE 12th SEPTEMBER, 1924,
FROM THE PREMIER OF WESTERN AUSTRALIA.

I have your letter of the 25th August, No. D. 508/132 replying to my predecessor's letter dated 2nd April, in which you notify that the request for the admission, free of duty, of ten new locomotives and the refund of about £12,000 already paid in duty on 32 boilers for our State railway system cannot be acceded to. Although your letter represents this decision as being that of your colleague, the Minister for Trade and Customs, I have no option but to assume that your Government as a whole accepts the responsibility for it.

. . . . I venture to suggest its reconsideration, at all events so far as the ten locomotives are concerned.

4. Sir James Mitchell's letter of the 2nd April sets forth the points affecting the question, which, although they should be fully re-examined, may be briefly repeated, viz.,

- (a) Western Australia is occupied to her fullest capacity in locomotive construction, and is doing everything reasonably possible to avoid future importation of locomotives or boilers.
- (b) It was impossible to obtain these ten locomotives in Australia in time for our 1924-25 harvest traffic, for which traffic they are essential to meet demands created by the rapid progress of agriculture and other development in this State.
- (c) Under the Australian tender the ten locomotives would not have been due for delivery until August-November, 1925; but this delivery even was subject to your Government *not* accepting the firm's tender for fourteen locomotives (which tender was accepted at a cost about £52,000 in excess of the lowest British tender). The British tender accepted by this State gives delivery on traffic in Western Australia a couple of months from now, and is £48,720 lower in price than the

Australian tender. It is the policy of the State to avoid importing locomotives or boilers except as, in this case, in circumstances of absolute necessity.

(d) In regard to the question of price, Messrs. Thompson and Co. quoted £12,500 per locomotive c.i.f. Fremantle, as against the North British Co.'s tender of £7,628 per locomotive c.i.f. Fremantle. That is to say the acceptance of the Australian tender would, apart from the question of duty, have imposed a loan burden of £48,720 upon the people of this State, carrying an interest charge of nearly £3,000 per annum. . . .

(f) You will readily understand that the purchase of these ten locomotives for this State will be a charge to our loan funds. Duty, if charged—it is hardly conceivable that it should be—will amount to about £21,000. In view of the circumstances as to the period of delivery alone without regarding the enormous discrepancy in price, under which my Government has been constrained to place this order in Great Britain, I put it to you that it would be almost immoral to take this £21,000 from State loan money and credit it as Federal revenue.

In the case of the 32 locomotive boilers above referred to, which abnormal pressure compelled this State to obtain from outside, being unable to undertake their manufacture in its own temporarily over-occupied shops, the best tendering (delivered c.i.f. Fremantle in both cases) was:—

Australian.—Thompson and Co., Castlemaine ..	£2,200 per boiler.
British.—North British Locomotive Co. and Yorkshire Engineering Co.	

Average tender price	£1,359
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Duty charges	374
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—	1,733
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Difference, duty paid, in favour British tender..	467
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On the 32 boilers, notwithstanding the Customs Duty charges (about £11,960) there was still a benefit of £14,944 in accepting the British tender, in addition to the advantage of five months delivery from Great Britain as against practically a year from Victoria. . . .

I ask then:—

(a) For the admission of the ten locomotives referred to free of Customs duty;

(b) For consideration as to the similar admission of the 32 boilers.

COPY OF LETTER, DATED THE 16th OCTOBER, 1924, FROM THE PRIME MINISTER.

With reference to your letter of the 12th September, No. W.R. 1658/24, regarding the request for the admission, free of duty, of ten new locomotives and for the refund of the amount already paid in duty on 32 boilers required for the railways in your State, I desire to inform you that this matter has formed the subject of a report by the Tariff Board to my colleague, the Minister for Trade and Customs, who, after careful consideration, has decided that the request cannot be acceded to, as he is not inclined to modify the Tariff conditions imposed for the protection of an established Australian industry.

APPENDIX No. 7.

The Commonwealth of Australia.

FINANCIAL AGREEMENT.

No. 5 of 1928.

An Act to approve an agreement between the Commonwealth of Australia of the First Part and the States of New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania of the Second, Third, Fourth, Fifth, Sixth and Seventh Parts respectively and for other purposes.

[Assented to 2nd April, 1928.]

Be it enacted by the King's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows:—

1. This Act may be cited as the "Financial Agreement Act 1928."
2. The Agreement (a copy of which is set forth in the Schedule to this Act) is approved.
3. The Consolidated Revenue Fund is hereby appropriated for the purposes of this Act to the extent necessary for the purpose of carrying out the Agreement on the part of the Commonwealth.
- 4.—(1.) The Treasurer may, under the provisions of the Commonwealth Inscribed Stock Act 1911-1918 or under the provisions of any Act authorising the issue of Treasury Bills, borrow such moneys for the States as he is authorised or required to borrow for the States under the Agreement.
- (2.) Moneys borrowed under this Act shall be issued and applied only for the expenses of borrowing, and for the purpose of making loans to the States under the Agreement.
5. The Treasurer may make to any State such advances as in his opinion are required by that State pending the raising under the Agreement of any loan on behalf of that State.

THE SCHEDULE.

AGREEMENT made the twelfth day of December One thousand nine hundred and twenty-seven Between the Commonwealth of Australia (in this Agreement called the Commonwealth) of the first part, The State of New South Wales of the second part, The State of Victoria of the third part, The State of Queensland of the fourth part, The State of South Australia of the fifth part, The State of Western Australia of the sixth part, and The State of Tasmania of the seventh part (each of the parties of the second, third, fourth, fifth, sixth, and seventh parts being in this Agreement referred to as a State and the expression "the States" hereinafter used meaning where the context so permits or requires all of such parties).

Whereas with a view to making provision for the adjustment of Commonwealth and State financial relations the general principle of a draft scheme was affirmed by a Conference of Commonwealth and State Ministers in Melbourne which commenced on the sixteenth day of June One thousand nine hundred and twenty-seven;

And whereas permanent effect cannot be given to the proposals contained in the said scheme unless the Constitution of the Commonwealth is altered so as to confer on the Parliament of the Commonwealth power to make laws for carrying out or giving permanent effect to such proposals;

And whereas pending the submission to the electors of a proposed law for the alteration of the said Constitution as aforesaid and in order to obtain immediately some of the advantages which would result from united action by adoption of the said scheme the Commonwealth and the States have agreed that for the period commencing on the first day of July One thousand nine hundred and twenty-seven and ending on the thirtieth day of June One thousand nine hundred and twenty-nine certain of the proposed provisions of the said scheme shall be temporarily adopted:

Now this Agreement Witnesseth:

Part I.

1. This Agreement shall have no force or effect and shall not be binding on any party unless and until it is approved by the Parliaments of the Commonwealth and of the States.

2. Definitions.

In this Agreement—

“*Net Public debt of a State existing on 30th June, 1927,*” means in respect of each State the amount of debt set forth hereunder opposite to the name of that State, viz.:—

New South Wales	.. .. .	£234,088,501
Victoria	.. .. .	136,949,942
Queensland	.. .. .	101,977,855
South Australia	.. .. .	84,834,364
Western Australia	.. .. .	61,060,675
Tasmania	.. .. .	22,434,060
		<hr/>
		£641,345,397

The said amount of the net public debt of each State includes the debts of that State secured by—

- (i) Inscribed Stock, including Local Inscribed Stock and Government Inscribed Stock;
 - (ii) Instalment Stock;
 - (iii) Registered Stock;
 - (iv) Funded Stock;
 - (v) Stock payable to bearer;
 - (vi) Bonds, including registered bonds;
 - (vii) Debentures, including registered debentures and instalment debentures;
 - (viii) Treasury Bills not repayable within twelve months from the date of issue;
or
 - (ix) Fixed deposit receipts or special deposit receipts for moneys borrowed for other than temporary purposes;
- issued or created by the State or by or on behalf of a Colony the predecessor of the State in respect of moneys borrowed by the Colony or State together with debts of the State to the Commonwealth of the amount set out respectively hereunder opposite to the name of the State so far as those last mentioned debts are not included by being secured in manner aforesaid—

New South Wales	.. .. .	£12,553,698
Victoria	.. .. .	23,688,269
Queensland	.. .. .	16,082,583
South Australia	.. .. .	18,446,197
Western Australia	.. .. .	16,739,872
Tasmania	.. .. .	3,948,613
		<hr/>
		£91,459,232

after deducting therefrom the amount for which the Commonwealth by this Agreement assumes liability under Part III., Clause 4, of this Agreement and the amount of any moneys or securities standing to the credit of a sinking fund, redemption fund, or a fund of a like nature of the State as on 30th June, 1927, and does not include any moneys raised by the State by way of overdraft, fixed deposit, or special deposit for temporary purposes only.

The said sum of £234,088,501 (being the amount of the debt of New South Wales abovementioned) comprises the debts referred to in, and has been computed in the manner shown in, the statement signed by representatives of the Commonwealth and of New South Wales.

“*Gross Public Debt of a State existing on 30th June, 1927,*” means in respect of each State the amount of debt set forth hereunder opposite to the name of that State, viz.:—

New South Wales	..	..	..	..	£239,441,363
Victoria	..	..	..	..	144,844,530
Queensland	..	..	..	..	105,259,916
South Australia	..	..	..	..	87,614,005
Western Australia	..	..	..	..	70,705,913
Tasmania	..	..	..	..	24,254,688
					<hr/> £672,120,415 <hr/>

The said amount of the gross public debt of each State includes the net public debt of that State together with the amount for which the Commonwealth by this Agreement assumes liability under Part III., Clause (4), of this Agreement and the amount of any moneys or securities standing to the credit of any sinking fund redemption fund or fund of a like nature of the State as on 30th June, 1927.

“*Transferred Properties*” means the properties mentioned or specified in the Schedule of Transferred Properties signed by representatives of the Commonwealth and the State as revised to the 30th June, 1927, being properties which became vested in the Commonwealth pursuant to Section 85 (i) of the Constitution of the Commonwealth.

“*The Loan Council*” means the Australian Loan Council created in pursuance of this Agreement.

“*Bondholder*” means an owner of any—

- (i) Inscribed Stock, including Local Inscribed Stock and Government Inscribed Stock;
- (ii) Instalment Stock;
- (iii) Registered Stock;
- (iv) Funded Stock;
- (v) Stock payable to bearer;
- (vi) Bonds, including registered bonds;
- (vii) Debentures, including registered debentures and instalment debentures;
- (viii) Treasury Bills not repayable within twelve months from the date of issue; or
- (ix) Fixed deposit receipts or special deposit receipts for moneys borrowed for other than temporary purposes;

issued or created by a State or by or on behalf of a Colony the predecessor of the State in respect of borrowed moneys but does not include the Commonwealth.

3. Australian Loan Council.

(a) There shall be an Australian Loan Council, which shall consist of one Minister of State of the Commonwealth to be appointed in writing from time to time by the Prime Minister of the Commonwealth to represent the Commonwealth, and one Minister of State of each State to be appointed in writing from time to time by the Premier of that State to represent that State. Provided that, if in the opinion of the Prime Minister or of any Premier of a State, special circumstances exist at any time which make it desirable so to do, a person who is not

a Minister may instead of a Minister be appointed by the Prime Minister or the Premier as the case may be to represent the Commonwealth or a State as a member of the Loan Council. The name of each person appointed to represent a State shall be notified in writing by the Premier of that State to the Prime Minister.

(b) The member representing the Commonwealth on the Loan Council shall hold office during the pleasure of the Prime Minister of the Commonwealth and a member representing a State shall hold office during the pleasure of the Premier of the State which the member was appointed to represent.

(c) A decision in which all the members for the time being of the Loan Council concur shall be a unanimous decision of the Loan Council notwithstanding any vacancy then existing in its membership.

(d) A meeting of the Loan Council may at any time be convened by the member representing the Commonwealth, and shall be so convened upon the request of at least three members representing States.

(e) A majority of the members of the Loan Council shall constitute a quorum of the Loan Council for the exercise of its powers at any meeting. Provided that—

(i) a member may at any time appoint in writing a deputy to act in his absence; and any deputy so appointed may in the absence of the member exercise all the powers and functions of the member and his presence shall be deemed the presence of the member; and

(ii) an absent member who has not appointed a deputy may vote by letter or by telegram, and in such case that member shall be counted as being present in relation only to the questions on which he has voted.

(f) The Loan Council may make rules of procedure including rules relating to places, times, and notices of meetings, and conduct of business at meetings, and from time to time may alter such rules.

(g) The Commonwealth and each State will from time to time while Part II. of this Agreement is in force, and while Part III. of this Agreement is in force, submit to the Loan Council a programme setting forth the amount it desires to raise by loans for each financial year for purposes other than the conversion, renewal or redemption of existing loans or temporary purposes. Each programme shall state the estimated total amount of such loan expenditure for the year, and the estimated amount of repayments which will be available towards meeting that expenditure. Any revenue deficit to be funded shall be included in such loan programme, and the amount of such deficit shall be set out. Loans for Defence purposes approved by the Parliament of the Commonwealth shall not be included in the Commonwealth's loan programme or be otherwise subject to this agreement.

(h) If the Loan Council decides that the total amount of the loan programme for the year cannot be borrowed at reasonable rates and conditions it shall decide the amount to be borrowed for the year, and may by unanimous decision allocate such amount between the Commonwealth and the States.

(i) If the members of the Loan Council fail to arrive at a unanimous decision under the last preceding sub-clause allocating the amount to be borrowed for any year, the amount to be borrowed for that year shall be allocated as follows:—

(i) The Commonwealth shall, if it so desires, be entitled to have one-fifth or any less proportion of such amount allocated to the Commonwealth; and

(ii) Each State shall be entitled to have allocated to it a sum (being a portion of the balance of such amount) bearing to the balance of such amount the same proportion which the net loan expenditure of that State in the preceding five years bears to the net loan expenditure of all the States during the same period. Provided that any State may, if it so desires, have allocated to it a sum less than the sum to which it is entitled under this sub-clause or no sum, and that when a less sum or no sum has been allocated to any State or States in manner aforesaid the amount then remaining available for allocation shall be allocated to the other States in the proportion

which the net loan expenditure of each of such other States in the preceding five years bears to the net loan expenditure of all such other States during the same period. For the purposes of this sub-clause net loan expenditure does not include expenditure for the conversion, renewal, or redemption of loans, but means the gross other loan expenditure of a State less any amounts of such expenditure repaid to the State other than moneys repaid to the State in manner stated in Part II., clause 4 (e), or Part III., clause 3 (i), of this Agreement.

(j) If the total amount to be borrowed as aforesaid for any year is to be borrowed by means of more than one loan the Loan Council may by unanimous decision apportion between the Commonwealth and the States the amount to be borrowed by each such loan other than the loan by means of which the balance of the total amount to be borrowed as aforesaid for the year is borrowed.

(k) If the members of the Loan Council fail to arrive at a unanimous decision under the last preceding sub-clause apportioning the amount to be borrowed as aforesaid by any loan the amount to be borrowed by that loan shall be apportioned between the Commonwealth and the States in proportion to the amount then to be borrowed as aforesaid for the Commonwealth and for each State for the year.

(l) The Commonwealth and each State will also from time to time, while Part II. of this Agreement is in force and while Part III. of this Agreement is in force, submit to the Loan Council a statement setting out the amount it requires for each financial year for the conversion, renewal or redemption of existing loans.

(m) If the members of the Loan Council fail to arrive at a unanimous decision on any matter other than the matters referred to in sub-clauses (h) and (j) of clause 3 and sub-clause (b) of clause 4 of this part of this Agreement, the matter shall be determined by a majority of votes of the members.

On every question for decision by the Loan Council the member representing the Commonwealth shall have two votes and a casting vote, and each member representing a State shall have one vote.

(n) A decision of the Loan Council in respect of a matter which the Loan Council is by this Agreement empowered to decide shall be final and binding on all parties to this Agreement.

(o) In this clause the expressions "Prime Minister" and "Premier" include the persons for the time being respectively acting as such.

4. Future Borrowings of Commonwealth and States.

(a) Except in cases where the Loan Council has decided under sub-clause (b) of this clause that moneys shall be borrowed by a State, the Commonwealth, while Part II. or Part III. of this Agreement is in force, shall, subject to the decisions of the Loan Council and subject also to Clauses 5 and 6 of this Part of this Agreement, arrange for all borrowings for or on behalf of the Commonwealth or any State, and for all conversions, renewals, redemptions, and consolidations of the Public Debts of the Commonwealth and of the States.

(b) If at any time the Loan Council by unanimous decision so decides, a State may in accordance with the terms of the decision borrow moneys outside Australia in the name of the State, and issue securities for the moneys so borrowed. The Commonwealth shall guarantee that the State will perform all its obligations to bondholders in respect of the moneys so borrowed. For all the purposes of this Agreement, including the making of sinking fund contributions, the moneys so borrowed shall be deemed to be moneys borrowed by the Commonwealth for and on behalf of that State.

(c) If any State after the 30th June, 1927, and before this Agreement has been approved by the Parliaments of the Commonwealth and of the States, has borrowed moneys in the name of the State and issued securities for the moneys so borrowed, such moneys shall for all the purposes of this Agreement, including the making of sinking fund contributions, be deemed to be moneys borrowed by the Commonwealth for and on behalf of that State.

(d) While Part II. or Part III. of this Agreement is in force, moneys shall not be borrowed by the Commonwealth or any State otherwise than in accordance with this Agreement.

5. *Borrowing by States.*

For any purpose (including the redemption of securities given or issued at any time for moneys previously borrowed or used in manner stated in this clause) a State may, while Part II. or Part III. of this Agreement is in force:—

- (a) Subject to any maximum limits decided upon by the Loan Council from time to time for interest, brokerage, discount and other charges, borrow moneys within the State from authorities, bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice and from the public by counter sales of securities, and
- (b) use any public moneys of the State which are available under the laws of the State.

Any securities that are issued for moneys so borrowed or used shall be Commonwealth securities, to be provided by the Commonwealth upon terms approved by the Loan Council.

Where any such borrowing or use is solely for temporary purposes, the provisions of this Agreement, other than this clause, shall not apply.

Where any such borrowing or use is not solely for temporary purposes, and Commonwealth securities are issued in respect thereof, the moneys borrowed or used shall be deemed to be moneys borrowed by the Commonwealth for and on behalf of the State, and may be retained by the State. A State may convert securities given or issued at any time by that State for moneys previously borrowed or used in manner stated in this clause. New securities issued on any such conversion shall be Commonwealth securities to be provided by the Commonwealth upon terms approved by the Loan Council. The amount for which such new securities are issued shall be deemed to be moneys borrowed by the Commonwealth for and on behalf of the State.

If the moneys deemed under this clause to be moneys borrowed by the Commonwealth on behalf of a State, together with the amounts raised by the Commonwealth for and on behalf of the State exceed the total amount of loan moneys decided upon by the Loan Council as the moneys to be raised for and on behalf of the State for the financial year in which the money is deemed to be borrowed, the excess shall, unless the Loan Council otherwise decides, be deemed to be moneys received by the State in the following year on account of its loan programme for that year.

For the purposes of this clause counter sales of securities shall be deemed to mean sales of securities made at the offices of the State Treasury, and at such other places as may be decided upon by the Loan Council.

The Commonwealth shall not be under any obligation to make sinking fund contributions in respect of moneys borrowed or used pursuant to this clause to meet a revenue deficit of a State but the provisions of clause 4 (d) of Part II. and of clause 3 (j) of Part III. of this Agreement shall apply respectively to all moneys borrowed or used for that purpose.

Except in cases where the Loan Council has otherwise decided under sub-clause (b) of clause 4 of Part I. of this Agreement a State shall not have the right to invite loan subscriptions by the issue of a public prospectus.

Notwithstanding anything contained in this Agreement, any State may use for temporary purposes any public moneys of the State which are available under the laws of the State, or may, subject to maximum limits (if any) decided upon by the Loan Council from time to time for interest, brokerage, discount, and other charges, borrow money for temporary purposes by way of overdraft, or fixed, special, or other deposit, and the provisions of this Agreement other than this paragraph shall not apply to such moneys.

6 *Borrowing by Commonwealth.*

For any purpose (including the redemption of securities given or issued at any time for moneys previously borrowed or used in manner stated in this clause) the Commonwealth may—while Part II. or Part III. of this Agreement is in force—

- (a) Subject to any maximum limits decided upon by the Loan Council from time to time for interest, brokerage, discount, and other charges, borrow moneys within the Commonwealth from authorities,

bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice and from the public by counter sales of securities, and

- (b) use any public moneys of the Commonwealth which are available under the laws of the Commonwealth.

Any securities that are issued for moneys so borrowed or used shall be Commonwealth securities to be provided by the Commonwealth upon terms approved by the Loan Council.

Where any such borrowing or use is solely for temporary purposes, the provisions of this Agreement, other than this clause, shall not apply.

Where any such borrowing or use is not solely for temporary purposes, and Commonwealth securities are issued in respect thereof, the moneys borrowed or used may be retained by the Commonwealth. The Commonwealth may convert securities given or issued at any time by the Commonwealth for moneys previously borrowed or used in manner stated in this clause. New securities issued on any such conversion shall be Commonwealth securities to be provided by the Commonwealth upon terms approved by the Loan Council.

If the moneys so borrowed or used are not borrowed or used solely for temporary purposes and Commonwealth securities are issued in respect thereof, and such moneys, together with other moneys borrowed by the Commonwealth for and on behalf of the Commonwealth as part of the total amount of loan moneys decided upon by the Loan Council as the moneys to be raised for and on behalf of the Commonwealth for the financial year in which the securities are issued, exceed such total amount the excess shall unless the Loan Council otherwise decides be deemed to be moneys received by the Commonwealth in the following year on account of its loan programme for that year.

For the purposes of this clause counter sales of securities shall be deemed to mean sales of securities made at the offices of the Commonwealth Treasury, and at such other places as may be decided upon by the Loan Council.

Notwithstanding anything contained in this Agreement, the Commonwealth may use for temporary purposes any public moneys of the Commonwealth which are available under the laws of the Commonwealth or may, subject to maximum limits (if any) decided upon by the Loan Council from time to time for interest, brokerage, discount, and other charges, borrow money for temporary purposes by way of overdraft, or fixed, special or other deposit, and the provisions of this Agreement other than this paragraph shall not apply to such moneys.

7. Payment of Interest and Sinking Funds.

In the event of Part III. of this Agreement not coming into force each State shall in respect of all moneys borrowed by the Commonwealth for and on behalf of that State during the period commencing on the 1st July, 1927, and ending on the 30th June, 1929—

- (a) pay to the Commonwealth interest at the full rate of interest payable by the Commonwealth in respect of the loan by which such moneys were borrowed or such other rate of interest as may be payable by that State to the Commonwealth under any agreement made or to be made between the Commonwealth and State in respect of such moneys. Such interest shall be payable for the full term of that loan and be paid to the Commonwealth on the respective days upon which interest is payable by the Commonwealth in respect of that loan; and
- (b) make sinking fund contributions to the National Debt Commission in respect of the loan by which such moneys were borrowed at the full rate, and for the portion unexpired on the 30th June, 1929, of the full period, provided for in the conditions under which the public were invited to subscribe to that loan; and
- (c) pay to the Commonwealth when the loan matures an amount which (together with the sinking fund contributions made by the Commonwealth and the State in respect of that loan and the accumulations of such contributions) will be sufficient to provide for the redemption of that loan. For the purposes of this sub-clause such contributions shall be deemed to accumulate at the rate of $4\frac{1}{2}$ per centum per annum compounded.

PART II.

1. This part of this Agreement shall be in force only during and in respect of the period of two years, commencing on 1st July, 1927, and ending on 30th June, 1929.

2. *Contribution by Commonwealth to Interest.*

The Commonwealth will in each of the said two years pay to each State by equal monthly instalments the amount set out opposite to the name of that State as shown hereunder:—

	£
New South Wales	2,917,411
Victoria	2,127,159
Queensland	1,096,235
South Australia	703,816
Western Australia	473,432
Tasmania	266,859
	<hr/>
	£7,584,912

Each State shall apply the amount so paid to it towards payment of interest due by that State on the Public Debt of that State. All amounts paid by the Commonwealth to a State in pursuance of Section 6 of the States Grants Act 1927, of the Commonwealth shall be deemed to be payments to that State under this clause.

3. *Transferred Properties.*

The Commonwealth will in each of the said two years pay to each State interest at the rate of 5 per centum per annum on the agreed value of transferred properties in the State, such value being in the case of each State as follows:—

	£
New South Wales	4,788,005
Victoria	2,302,862
Queensland	1,560,639
South Australia	1,035,631
Western Australia	736,432
Tasmania	500,754
	<hr/>
Total	£10,924,323

4. *Sinking Funds.*

(a) In each of the said two years the Commonwealth will pay from revenue a sinking fund contribution at the rate of 2s. 6d. per annum for each £100 of the net Public Debts of the States existing on 30th June, 1927, and each State (other than the State of New South Wales) will pay from revenue a sinking fund contribution at the rate of 5s. per annum for each £100 of the net public debt of that State existing on 30th June, 1927. The State of New South Wales will in the financial year commencing 1st July, 1928, pay from revenue a sinking fund contribution at the rate of 5s. for each £100 of the net public debt of that State existing on 30th June, 1927.

(b) Where in respect of any debt included in the gross public debt of a State existing on 30th June, 1927, there is under laws or contracts existing at that date an obligation to provide a sinking fund at a rate in excess of 7s. 6d. per annum for each £100, any amount to be so provided in excess of the rate of 7s. 6d. per annum for each £100 shall be provided out of the National Debt Sinking Fund established under the laws of the Commonwealth. Provided that if any law imposing such an obligation is repealed or is amended so as to reduce the rate of sinking fund to be provided, the only amount (if any) to be provided out of the National Debt Sinking Fund pursuant to this sub-clause in respect of that debt shall, as from the date of such repeal or amendment, be the amount (if any) by which the reduced rate of sinking fund for the time being exceeds 7s. 6d. per annum for each £100.

(c) In respect of each loan raised after the 30th June, 1927, either by a State or by the Commonwealth for and on behalf of a State (other than a loan

raised for the conversion, renewal, or redemption of a loan or for temporary purposes) the Commonwealth and that State shall, subject to the next succeeding sub-clause as from the date of the raising of that loan, each pay from revenue a sinking fund contribution at the rate of five shillings (5s.) per annum for each £100 of the amount of such loan. Provided, however, that the liability of the State of New South Wales to make sinking fund contributions under this sub-clause shall commence on the 1st July, 1928. The provisions of this sub-clause apply to a loan raised after 30th June, 1927, to meet a revenue deficit which accrued on or before that date.

(d) In respect of any loan raised after 30th June, 1927, by a State or by the Commonwealth for and on behalf of a State to meet a revenue deficit accruing after that date no sinking fund contribution shall be payable by the Commonwealth, but that State shall pay from revenue a sinking fund contribution at a rate of not less than 4 per centum per annum on the amount of that loan.

(e) Where loan moneys have been advanced by a State under terms providing for the repayment of such moneys, the State shall as and when such moneys are repaid pay such moneys either to the State Loan Fund or to the account or fund from which such moneys were advanced, or to the sinking fund hereinafter mentioned, and shall, in addition, make from revenue its sinking fund contributions in respect of the loan or loans from which the moneys so advanced were provided.

Provided that when loan moneys have been advanced by a State to a Public or Local Authority or body constituted by the State or under the laws of the State and the Authority or body repays such moneys out of its revenue the State may out of moneys so repaid make its sinking fund contributions in respect of the loan moneys so advanced.

(f) All sinking fund contributions to be made in pursuance of this Part of this Agreement shall be paid to the National Debt Commission constituted under the *National Debt Sinking Fund Act, 1923-25*, of the Commonwealth (herein called the National Debt Commission) as follows:—

(i) as regards the net public debt of a State existing on 30th June, 1927—by half-yearly instalments on 30th September and 31st March in each financial year, or on such other dates as may be agreed between the Commonwealth and the State;

(ii) as regards loans raised after 30th June, 1927—by equal instalments on the dates on which interest on such loans is payable or on such other dates as may be agreed upon between the Commonwealth and the State concerned.

(g) Where the conditions relating to sinking funds, redemption funds, and funds of a like nature require payments to be made to trustees, the National Debt Commission will either directly or through any State concerned, make the necessary payments to those trustees.

(h) The sinking fund contributions made under this Part of this Agreement in respect of the Public Debt of a State (other than contributions paid or to be paid to trustees under the last preceding sub-clause hereof) shall so far as the same will suffice be applied in the repurchase or redemption of the Public Debt of that State, and in the event of the proposed law for the alteration of the Constitution referred to in Part IV. of this Agreement not becoming law and of this Agreement not being validated thereunder, on or before the 30th June, 1929, all State securities repurchased or redeemed as aforesaid shall be cancelled with the exception of securities the market value of which represents the amount of money provided in excess of the rate of 7s. 6d. per annum for each £100 under paragraph (b) of this clause, which latter securities shall be retained by and belong to the National Debt Commission.

PART III.

This Part of this Agreement shall not come into force or be binding upon any party hereto unless before the 1st July, 1929, the Constitution of the Commonwealth has been altered in accordance with the proposals referred to in Part IV. of this Agreement and a law of the Parliament of the Commonwealth has been made thereunder validating this Agreement, but shall come into full force and effect if and when before the said date the Constitution is so altered and this Agreement is so validated.

When this Part of this Agreement comes into force every matter or thing done and payment made under or in pursuance of Part II. of this Agreement shall be deemed, so far as is practicable, to have been done or made under this Part of this Agreement to the same extent as if this Part had then in fact been in force, and all necessary adjustments shall be made in respect of moneys so paid in order to insure that no party hereto shall be liable for or make double payments in respect of the same matter.

PERMANENT PROVISIONS.

1. *Taking over States' Public Debts.*

Subject to the provisions of this Part of this Agreement the Commonwealth will take over on the 1st July, 1929:—

- (i) the balance then unpaid of the gross public debt of each State existing on 30th June, 1927; and
- (ii) all other debts of each State existing on the 1st July, 1929, for moneys borrowed by that State which by this Agreement are deemed to be moneys borrowed by the Commonwealth for and on behalf of that State—

and will in respect of the debts so taken over assume as between the Commonwealth and the States the liabilities of the States to bondholders.

2. *Payment of Interest.*

(a) Subject to this clause the Commonwealth will pay to bondholders from time to time interest payable on the Public Debts of the States taken over by the Commonwealth as aforesaid other than debts due by the States to the Commonwealth.

(b) The Commonwealth will in each year during the period of fifty-eight years, commencing on 1st July, 1927, provide by equal monthly instalments the following amounts in respect of each State as shown hereunder towards the interest payable by that State:—

	£
New South Wales	2,917,411
Victoria	2,127,159
Queensland	1,096,235
South Australia	703,816
Western Australia	473,432
Tasmania	266,859
	<hr/>
	£7,584,912

(c) Each State shall in each year during the same period of fifty-eight years pay to the Commonwealth the excess over the amounts to be provided by the Commonwealth under the last preceding sub-clause necessary to make up as they fall due the interest charges falling due in that year on the public debt of that State taken over by the Commonwealth as aforesaid and then unpaid, and on any moneys borrowed by the Commonwealth on behalf of that State and then unpaid, and after the expiration of the said period each State shall in each year pay to the Commonwealth, as they fall due, the whole of the interest charges on any debt then unpaid and included in the public debt of that State taken over by the Commonwealth as aforesaid, and on any moneys borrowed by the Commonwealth on behalf of that State and then unpaid.

(d) The method by which payments shall be made by a State under sub-clause (c) of this clause shall be arranged from time to time between the Commonwealth and that State.

(e) The rate of interest payable under sub-clause (c) of this clause in respect of moneys borrowed by the Commonwealth on behalf of a State shall be the full rate of interest payable by the Commonwealth in respect of the loan by which such moneys were borrowed or such other rate of interest as may be payable by the State to the Commonwealth under any Agreement made or to be made between the Commonwealth and that State in respect of such moneys and such interest shall be payable by the State for the full term of that loan.

3. *Sinking Funds.*

(a) A sinking fund at the rate of 7s. 6d. per annum for each £100 of the net public debts of the States existing on 30th June, 1927, shall be established in the manner hereinafter set forth.

(b) During the period of fifty-eight years commencing on the 1st July, 1927, the Commonwealth shall pay from revenue annually a sinking fund contribution at the rate of 2s. 6d. for each £100 of the net public debts of the States existing on 30th June, 1927 and each State (other than the State of New South Wales) shall in each year during the said period pay from revenue a sinking fund contribution at the rate of 5s. for each £100 of the net public debt of such State existing on 30th June, 1927. The State of New South Wales during the period of fifty-eight years commencing on the 1st July, 1928, shall in each year pay from revenue a sinking fund contribution at the rate of 5s. for each £100 of the net public debt of that State existing on 30th June, 1927.

(c) Where in respect of any debt included in the gross Public Debt of a State existing at the 30th June, 1927, there is under laws or contracts existing at that date an obligation to provide a sinking fund at a rate in excess of 7s. 6d. per annum for each £100, any amount to be so provided in excess of 7s. 6d. per annum for each £100 shall be provided out of the National Debt Sinking Fund, established under the laws of the Commonwealth. Provided that if any law imposing such an obligation is repealed or is amended so as to reduce the rate of sinking fund to be provided the only amount (if any) to be provided out of the National Debt Sinking Fund pursuant to this sub-clause in respect of that debt shall as from the date of such repeal or amendment be the amount (if any) by which the reduced rate of sinking fund for the time being exceeds 7s. 6d. per annum for each £100.

(d) When a loan is issued for the conversion, renewal, or redemption of any debt of a State included in the gross Public Debt of that State existing on 30th June, 1927, the only sinking fund contributions to be made by the Commonwealth and that State in respect of the debt so converted, renewed, or redeemed shall be sinking fund contributions at the same rate and for the same period and upon the same amount as if such debt had not been converted, renewed, or redeemed.

(e) Subject to sub-clauses (h) and (j) of this clause a sinking fund at the rate of 10s. per annum for each £100 of the amount of each new loan raised by a State or by the Commonwealth for and on behalf of a State after 30th June, 1927 shall be established.

(f) Subject to sub-clauses (h) and (j) of this clause, in each year during the period of fifty-three years from the date of the raising after 30th June, 1927, of any new loan by a State or by the Commonwealth for and on behalf of a State the Commonwealth and that State shall each pay from revenue a sinking fund contribution of a sum equal to 5s. for each £100 of the amount of the new loan.

Provided that the period of fifty-three years during which the State of New South Wales shall make sinking fund contributions in respect of new loans raised in the financial year beginning on the 1st July, 1927, shall commence on the 1st July, 1928.

(g) For the purpose of the last two preceding subclauses a loan issued after the 30th June, 1927, to meet a revenue deficit which accrued on or before that date shall be deemed to be a new loan, but a loan issued for the conversion, renewal or redemption of a debt shall not be deemed to be a new loan, and where a loan is issued partly for the conversion, renewal, or redemption of a debt and partly for other purposes so much only of the loan as has been issued for other purposes, shall be deemed to be a new loan.

(h) Where it is agreed between the Commonwealth and a State that a loan or any portion of a loan raised after 30th June, 1927, and expended or to be expended upon wasting assets should be redeemed within a shorter period than fifty-three years, the annual sinking fund contributions of the State in respect of that loan, or the portion thereof, shall be increased to an amount which with the sinking fund contributions of the Commonwealth in respect of that loan or the portion thereof will provide for the redemption of that loan or the portion thereof within such shorter period. All sinking fund contributions of the State in respect of that loan or the portion thereof shall cease on the expiration of the

shorter period, but the Commonwealth contributions in respect of that loan shall continue for the remainder of the period of fifty-three years from the date of the raising of that loan, and during such remainder of the period the State contributions to the sinking fund in respect of other loans of that State shall be reduced by the amount of the Commonwealth contributions during that remainder of the period in respect of such redeemed loan or the portion thereof. For the purposes of this sub-clause the sinking fund contributions of the Commonwealth and the State shall be deemed to accumulate at the rate of 4½ per cent. per annum compounded.

(i) Where loan moneys have been advanced by a State under terms providing for the repayment of such moneys the State shall as and when such moneys are repaid pay such moneys either to the State Loan Fund or to the account or fund from which such moneys were advanced, or to the sinking fund and shall in addition make from revenue its sinking fund contributions in respect of the loan or loans from which the moneys so advanced were provided.

Provided that when loan moneys have been advanced by a State to a Public or Local Authority or body constituted by the State or under the laws of the State and the Authority or body repays such moneys out of its revenue the State may out of moneys so repaid make its sinking fund contributions in respect of the loan moneys so advanced.

(j) In respect of any loan raised after the 30th June, 1927, by a State or by the Commonwealth for and on behalf of a State to meet a revenue deficit accruing after that date, no sinking fund contribution shall be payable by the Commonwealth, but that State shall for a period sufficient to provide for the redemption of that loan pay from revenue in each year during such period a sinking fund contribution at a rate of not less than 4 per centum per annum of the amount of that loan. For the purposes of this sub-clause the sinking fund contributions of the State shall be deemed to accumulate at the rate of 4½ per centum per annum compounded.

(k) All sinking fund contributions to be made in pursuance of this part of this Agreement shall be debts payable to the National Debt Commission as follows:—

(i) As regards the net public debt of a State existing on 30th June, 1927—by half-yearly instalments on 30th September and 31st March in each financial year or on such other dates as may be agreed between the Commonwealth and that State.

(ii) As regards loans raised after 30th June, 1927—by equal instalments on the dates on which interest on such loans is payable or on such other dates as may be agreed upon between the Commonwealth and the State concerned.

(l) Subject to the next succeeding sub-clause all moneys and securities standing to the credit of sinking funds, redemption funds and funds of a like nature of a State existing on 30th June, 1929, shall forthwith be transferred by the States to the National Debt Commission. Nothing in this sub-clause contained shall be deemed to limit the power of a State to cancel before 30th June, 1929, any such securities.

(m) Where the conditions relating to sinking funds, redemption funds, and funds of a like nature as aforesaid held by a State on trust or by trustees under statutory or contractual obligations preclude the transfer of those funds to the National Debt Commission, such funds shall remain under the control of the State or those trustees, and the National Debt Commission will either directly or through the State concerned make all future payments to the State or to those trustees from the sinking fund.

(n) The sinking funds to be established under this Agreement shall be controlled by the National Debt Commission. The National Debt Commission may arrange with any State to act as its agent in connection with payments due to bondholders.

(o) Sinking Fund contributions made under this Agreement in respect of the debts of a State and funds of that State transferred to the National Debt Commission under sub-clause (l) of this clause will not be accumulated, but (sub-

ject to sub-clauses (m) and (p) of this clause) will be applied to the redemption of the public debts of that State and of loans raised by the Commonwealth for and on behalf of that State, or to the purchase of securities issued in respect thereof.

(p) If at any time it is deemed inexpedient by the National Debt Commission to apply sinking funds in the manner set forth in sub-clause (o) of this clause, such funds may be temporarily invested in any securities in which the National Debt Commission is from time to time by law authorised to invest moneys.

(q) When a security issued in respect of a public debt of a State or of a loan raised by the Commonwealth for and on behalf of a State is repurchased or redeemed by the National Debt Commission such security shall be cancelled—

- (i) if a repurchased security—on the last day of September, December, March, or June next ensuing after the date of repurchase, or on the date of maturity of the security whichever shall first occur; and
- (ii) if a redeemed security—on the date of redemption.

In addition to the sinking fund contributions otherwise payable in respect of that debt or loan the State concerned shall—

- (i) as from the date of cancellation of each security and for the full period during which the said sinking fund contributions are payable make from revenue a further sinking fund contribution at the rate of 4½ per centum per annum of the face value of the cancelled security; and
- (ii) also pay to the National Debt Commission interest on the face value of each repurchased security at the rate provided by the security from the last date preceding the repurchase upon which interest was payable under the terms of the security up to the date of cancellation of the security.

4. *Transferred Properties.*

It is agreed that all questions between the Commonwealth and the States relating to State properties transferred to the Commonwealth or required by the Commonwealth under Section eighty-five of the Constitution shall be settled as follows:—

The States will as from 1st July, 1929, and as between the Commonwealth and the States be completely free and discharged from all liability whether in respect of principal, interest or sinking fund, or otherwise, which liability shall be assumed by the Commonwealth in respect of so much of the public debts of the States bearing interest at the rate of 5 per centum per annum, taken over by the Commonwealth as aforesaid as amounts to the agreed value of transferred properties, namely, £10,924,323, apportioned to the several States as follows:—

	£
New South Wales	4,788,005
Victoria	2,302,862
Queensland	1,560,639
South Australia	1,035,631
Western Australia	736,432
Tasmania	500,754
Total	£10,924,323

The particular portion of the public debt of each State in respect of which the States shall become free and discharged from liability shall be determined by the Commonwealth.

Each State will issue to the Commonwealth freehold titles (or, if the laws of any State do not permit of the issue of freehold titles, then titles as near to freehold as the laws of that State will permit) for transferred properties consisting of land or interests in land in that State, and all liability of the Commonwealth to the State in respect of transferred properties shall as from the 1st July, 1929, be extinguished.

The provisions of Clauses 2 and 3 of this Part of this Agreement shall not apply to the said amount of £10,924,323.

PART IV.—MISCELLANEOUS.

1. *Expenses of Loan Flotation.*

Each State shall repay to the Commonwealth all expenses incurred or payments made by the Commonwealth in the performance of this Agreement in relation to the State including the following expenses and payments:—

- (i) Loan flotation charges;
- (ii) Management charges;
- (iii) Stamp duties on transfer of securities;
- (iv) Commission on payment of interest;
- (v) Expenses incurred in the conversion, renewal, redemption or consolidation of loans;
- (vi) Exchange on transference of moneys.

Unless it is otherwise agreed between the Commonwealth and a State, the Commonwealth will not do anything in connection with a loan of that State existing on the 30th June, 1927, or raised thereafter pursuant to this Agreement which if done by that State would be a breach of any now existing agreement by that State with any Bank.

A certificate by the Auditor General of the Commonwealth stating the amount to be repaid by a State to the Commonwealth and the matter in respect of which the repayment is to be made shall in the event of a dispute be conclusive as to the amount and matter stated.

2. *Alteration of the Constitution.*

The Commonwealth will take the necessary action to submit to the Parliament of the Commonwealth and to the electors proposals for the alteration of the Constitution of the Commonwealth in the following form:—

“105A. (1) The Commonwealth may make agreements with the States with respect to the public debts of the States, including—

- (a) the taking over of such debts by the Commonwealth;
- (b) the management of such debts;
- (c) the payment of interest and the provision and management of sinking funds in respect of such debts;
- (d) the consolidation, renewal, conversion, and redemption of such debts;
- (e) the indemnification of the Commonwealth by the States in respect of debts taken over by the Commonwealth; and
- (f) the borrowing of money by the States or by the Commonwealth or by the Commonwealth for the States.

(2) The Parliament may make laws for validating any such agreement made before the commencement of this section.

(3) The Parliament may make laws for the carrying out by the parties thereto of any such agreement.

(4) Any such agreement may be varied or rescinded by the parties thereto.

(5) Every such agreement and any such variation thereof shall be binding upon the Commonwealth and the States parties thereto, notwithstanding anything contained in this Constitution or the Constitution of the several States or in any law of the Parliament of the Commonwealth or of any State.

(6) The powers conferred by this section shall not be construed as being limited in any way by the provisions of Section 105 of this Constitution.

3. *Indemnity.*

Each State agrees with the Commonwealth that it will by the faithful performance of its obligations under this Agreement indemnify the Commonwealth against all liabilities whatsoever in respect of the public debt of that State taken over by the Commonwealth as aforesaid (other than the liabilities of the Commonwealth under this Agreement to pay interest and to make sinking fund contributions and under Clause 4 of Part III. of this Agreement), and in respect of all loans of that State in respect of which this Agreement provides that sinking fund contributions shall be made.

4. *Accounts.*

Separate accounts shall be kept by the Commonwealth for each State in respect of Debt, Interest, and Sinking Funds.

In witness whereof the Prime Minister of the Commonwealth of Australia and the Premiers of each of the States of New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania have signed this Agreement respectively for and on behalf of the Commonwealth of Australia and of the said States.

Signed by the Prime Minister of the Commonwealth of Australia for and on behalf of the said Commonwealth in the presence of— EARLE PAGE.	} S. M. BRUCE.
Signed by the Premier of the State of New South Wales for and on behalf of the said State in the presence B. S. STEVENS.	} T. R. BAVIN.
Signed by the Premier of the State of Victoria for and on behalf of the said State in the presence of— H. A. PITT.	} E. J. HOGAN.
Signed by the Premier of the State of Queensland for and on behalf of the said State in the presence of— J. MULLAN.	} W. McCORMACK.
Signed by the Premier of the State of South Australia for and on behalf of the said State in the presence of— H. TASSIE.	} R. L. BUTLER.
Signed by the Premier of the State of Western Australia for and on behalf of the said State in the presence of— GEO. W. SIMPSON.	} P. COLLIER.
Signed by the Premier of the State of Tasmania for and on behalf of the said State in the presence of— J. ALLAN GUY.	} J. A. LYONS.

APPENDIX No. 8.

The Commonwealth of Australia.

FINANCIAL AGREEMENTS ENFORCEMENT.

No. 3 of 1932.

An Act to provide for the carrying out of the Financial Agreements between the Commonwealth and the States by the parties thereto, and for other purposes.

[Assented to 12th March, 1932.]

WHEREAS it is, by section one hundred and five A of the Constitution, provided *inter alia* that the Parliament may make laws for the carrying out by the parties thereto of any agreement made between the Commonwealth and the States with respect to any of the matters mentioned in that section:

And whereas the Agreements set forth in the Schedules to the Financial Agreement Validation Act, 1929, the Debt Conversion Agreement Act, 1931, and the Debt Conversion Agreement Act (No. 2), 1931, are agreements made between the Commonwealth and the States with respect to matters mentioned in that section:

And whereas it is desirable to make provision for the carrying out by the parties thereto of the obligations imposed upon them by those Agreements:

Be it therefore enacted by the King's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows:—

Part I.—Preliminary.

1. This Act may be cited as the Financial Agreements Enforcement Act, 1932.

2. This Act shall continue in operation for a period of two years, and no longer.

3. This Act is divided into Parts, as follows:—

Part I.—Preliminary.

Part II.—Enforcement against State Revenue.

Part III.—Enforcement against other Funds of State.

Part IV.—Adjustment with State.

Part V.—Removal of Causes.

Part VI.—Miscellaneous.

4. (1.) In this Act, unless the contrary intention appears—

“Authorised person” means a person appointed in writing by the Treasurer for the purposes of this Act, or a person included in a class so appointed;

“Liability” means an obligation to pay a sum certain;

“Loan Council” means the Australian Loan Council established in pursuance of the Agreement, between the Commonwealth and the States, which is contained in the Schedule to the Financial Agreement Validation Act, 1929;

“Person” includes a body corporate or unincorporate, and a partnership;

"Prescribed moneys" means moneys due and payable by any person to a State during the currency of any Proclamation, which, if received by or on behalf of the State, would have formed part of the specified revenue of the State;

"Specified revenue" means such revenue or class of revenue of a State specified or described in a resolution passed by each House of the Parliament in pursuance of this Act as is from time to time included in a Proclamation;

"The currency of the Proclamation" or "the currency of any Proclamation" means the period extending from the date fixed by the Proclamation referred to in section seven of this Act to the issue of a Proclamation revoking that Proclamation;

"The Financial Agreements" means one or more or all of the Agreements contained in the Schedules to the Financial Agreement Validation Act, 1929, the Debt Conversion Agreement Act, 1931, and the Debt Conversion Agreement Act (No. 2), 1931.

(2.) In sections five and six (with respect to the specified revenue of the State), seven to twelve (inclusive), fifteen, nineteen and twenty-six of this Act, unless the contrary intention appears—

"The State" includes any public authority, incorporated or unincorporated, constituted under the laws of a State, which has power to levy rates, taxes or charges, or collect revenue, for a public purpose, and is declared by the Governor-General by Proclamation to be a public authority for the purposes of this Act, but does not include a municipal council, shire council, or local governing authority.

Part II.—Enforcement Against State Revenue.

5. (1.) The Auditor-General shall, as soon as possible after the close of each financial year, and at any other time when requested by the Treasurer so to do, give to the Treasurer a certificate in writing, signed by the Auditor-General, setting forth an amount of money then due and payable and unpaid by a State to the Commonwealth under or by virtue of the Financial Agreements, and the items in respect of which the sums comprised in that amount are so due and payable and unpaid.

(2.) The Treasurer shall publish in the *Gazette* a copy of each certificate received from the Auditor-General.

(3.) At any time, and from time to time, after the publication in the *Gazette* of a copy of a certificate of the Auditor-General, the Attorney-General may apply to the High Court for a declaration that the whole or part of the amount set forth in the certificate or of one or more of the sums comprised in that amount is due and payable and unpaid by the State to the Commonwealth.

(4.) Any such application shall be made by motion of which not less than three days' notice shall be given to the Attorney-General of the State concerned.

(5.) The application shall be heard by a Full Court consisting of not less than three Justices.

(6.) Upon the making, on any such motion, of a declaration by the High Court that any amount is due by the State to the Commonwealth, such declaration shall be a judgment of the High Court in favour of the Commonwealth against the State, and shall be enforceable as a judgment, and

shall, in addition to any other remedies for enforcing such judgment by law provided, operate as a charge upon all the revenues of the State.

(7.) At any time and from time to time after the making, on any such motion, of a declaration by the High Court that any amount of money is due by the State to the Commonwealth, each House of the Parliament may resolve, upon motion moved in each House by or on behalf of a Minister, that the provisions of sections seven to thirteen (inclusive) of this Part should apply in relation to the State specified in the motion (being a State to which the declaration relates) and have effect, to the extent of the amount so declared by the High Court, with respect to the specified revenue of the State.

(8.) Upon such a resolution being passed by both Houses of the Parliament, the provisions of sections seven to thirteen (inclusive) of this Part shall, to the extent of the amount so declared by the High Court, apply in relation to the State specified in the resolution, whether there is pending or not any action, suit, proceeding or matter in which there is in issue a question as to whether an amount or amounts of money is or are due and payable and unpaid by the State to the Commonwealth under or by virtue of the Financial Agreements.

6. (1.) Notwithstanding the provisions of the last preceding section, if, at any time after the Auditor-General has given to the Treasurer such a certificate as is specified in subsection (1) of that section, each House of the Parliament resolves, upon motion moved in each House by or on behalf of a Minister, that the certificate be approved and adopted, and that by reason of urgency it is desirable that the provisions of sections seven to thirteen (inclusive) of this Part should apply immediately in relation to the State specified in the motion (being a State to which the certificate relates) and, in order to protect the interests of the Commonwealth until the question of the liability of the State has been determined by the High Court pursuant to an application under this section, should have effect with respect to the specified revenue of the State to the extent—

(a) of the amount set forth in the certificate or of any smaller amount stated in the resolution, and

(b) in case any smaller amount is so stated, of the item or items comprised in that amount,

the provisions of those sections shall apply and have effect accordingly.

(2.) Upon such a resolution being passed by both Houses of the Parliament the provisions of sections seven to thirteen (inclusive) of this Part shall, to the extent of the amount set forth in the certificate, or of any smaller amount stated in the resolution, apply in relation to the State specified in the resolution, whether or not there is pending any action, suit, proceeding, or matter in which there is in issue a question as to the amount or amounts of money due and payable and unpaid by the State to the Commonwealth under or by virtue of the Financial Agreements.

(3.) As soon as practicable after such a resolution has been passed by both Houses of the Parliament, and in any event within two months thereafter, the Attorney-General shall apply to the High Court for a declaration that the amount stated in the resolution, or any part thereof, is due and payable and unpaid by the State to the Commonwealth.

(4.) At any time after such a resolution has been passed by both Houses of the Parliament, the Attorney-General of the State may apply to the

High Court for a declaration that no part of the amount stated in the resolution or a smaller amount than that stated in the resolution is due and payable and unpaid by the State to the Commonwealth.

(5.) Any application under either of the last two preceding subsections shall be made by motion, of which not less than three days' notice shall be given to the Attorney-General of the State concerned, or to the Attorney-General, as the case may be.

(6.) The application shall be heard by a Full Court consisting of not less than three Justices.

(7.) The application in relation to a State of the provisions of sections seven to thirteen (inclusive) of this Part shall not cease or be suspended upon an application to the High Court, or during the pendency of any proceedings thereon in the said Court.

(8.) On the making of a declaration by the High Court that any amount, or part thereof, stated in the resolution is due and payable and unpaid by the State to the Commonwealth—

(a) the declaration—

- (i) shall be a judgment of the High Court in favour of the Commonwealth against the State;
- (ii) shall be enforceable as a judgment; and
- (iii) shall, in addition to any other remedies for enforcing such judgment by law provided, operate as a charge upon all the revenues of the State; and

(b) the provisions of sections seven to thirteen (inclusive) shall continue to apply in relation to that State—

- (i) notwithstanding that a resolution of each House of the Parliament has not been passed in pursuance of subsection (7) of the last preceding section; and
- (ii) notwithstanding that there may be pending any action, suit, proceeding or matter in which there is in issue a question as to the amount or amounts due and payable and unpaid by the State to the Commonwealth under or by virtue of Financial Agreements.

(9.) In the event of the High Court making a declaration that no part of the amount stated in the resolution is due and payable and unpaid by the State to the Commonwealth, the provisions of sections seven to thirteen (inclusive) of this Part shall cease to apply in relation to the State.

7. (1.) Upon a resolution being passed by both Houses of the Parliament in pursuance of section five or six of this Part, the specified revenue of the State shall, subject to this Act, as from a date to be fixed by Proclamation and during the currency of the Proclamation, become payable to the Treasurer, or, if the Treasurer, by notice in the *Gazette*, so directs, to authorised persons, and in accordance with such directions as are contained in the notice.

(2.) Where a resolution passed in pursuance of this Act specifies or describes more than one class of revenue, it shall not be necessary that all the classes so specified or described shall be included in one Proclamation, but different classes may be included in successive Proclamations, and their inclusion shall have effect as from the dates respectively fixed by those Proclamations.

8. Upon the payment by any person to the Treasurer, or to an authorised person in accordance with any such directions, during the currency of any Proclamation, of any prescribed moneys, the liability of the person to the State, in respect of the matter in respect of which the prescribed moneys would, but for the last preceding section, have been payable to the State, shall, to the amount of the payment, be discharged, and no action, suit or other proceeding shall be maintainable by the State against that person in respect of that matter to the amount of that payment.

9. (1.) The Commonwealth, or any person thereto authorised in writing by the Attorney-General, may sue for and recover any moneys due and payable by any person to the State during the currency of any Proclamation, which, if received by or on behalf of the State, would have formed part of the specified revenue of that State.

(2.) In any proceedings by the Commonwealth or any such person for the recovery of any moneys, the burden of proving any allegation that payment of those moneys had been made to the State before the currency of the Proclamation shall lie upon the person from whom recovery is sought.

10. A person shall not, from and after the date fixed by Proclamation, and during the currency of the Proclamation, pay to any person, other than the Treasurer or an authorised person, any moneys owing by the person to the State, which, if received by or on behalf of the State, would have formed part of the specified revenue of that State.

11. A payment made in contravention of the last preceding section shall not operate in discharge or reduction of any liability to the State of the person by whom or on whose behalf the payment is made, but, notwithstanding any agreement to the contrary or any payment to the State, or any assignment (whenever made) by the State of its rights in any liability, the liability shall, subject to this Act, continue to exist until it is discharged by payment to the Commonwealth in accordance with this Act.

12. (1.) Any Minister of, or officer or person employed by, a State, and any person, who—

(a) receives, directs or permits the receipt of any moneys by or on behalf of a State the payment of which would be a contravention of the provisions of this Act; or

(b) gives, or offers to give to any person any indemnity in respect of the payment to or on behalf of the State of any moneys the payment of which to the State would be a contravention of those provisions,

shall be guilty of an offence.

(2.) Any indemnity the giving of which is an offence against this section shall be absolutely void and of no effect.

13. (1.) If at any time during the currency of any Proclamation, the Auditor-General gives to the Treasurer a certificate setting forth a further amount as being due and payable and unpaid by the State specified in the prior certificate, and the High Court makes a declaration in pursuance of an application under subsection (3) of section five of this Act that the amount set forth in the further certificate or any part thereof is due and payable and unpaid, this Act shall have effect as if the amount specified in the further declaration of the High Court had been set forth in the prior declaration of the Court in addition to the amount stated in that prior

declaration, and a resolution had been passed by each House of the Parliament in pursuance of section five of this Act, and the amount so specified in the further declaration shall be deemed to be set forth in the prior certificate of the Auditor-General, in addition to the amount stated in that prior certificate.

(2.) If at any time during the currency of any Proclamation, issued after a resolution has been passed by each House of the Parliament in pursuance of section six of this Act, the Auditor-General gives to the Treasurer a certificate setting forth a further amount as being due and payable and unpaid by the State specified in the prior certificate, this Act shall have effect as if—

(a) the amount set forth in the further certificate had been set forth in the resolution passed by both Houses of the Parliament after the receipt by the Treasurer of the prior certificate, in addition to the amount stated in that resolution, and

(b) a resolution had been passed by each House of the Parliament in pursuance of section six of this Act:

Provided that, if at any time after any such further certificate is given, the High Court makes a further declaration in pursuance of subsection (3) of section six of this Act, this Act shall have effect as if the amount specified in the further declaration of the High Court had been set forth in the prior declaration of the Court in addition to the amount stated in that prior declaration.

Part III.—Enforcement against other Funds of State.

14. Without prejudice to the foregoing provisions of this Act, if at any time during the currency of any Proclamation relating to any State, the Commonwealth has, whether in pursuance or by virtue of the Financial Agreements, or of any decision of the Loan Council, or otherwise, possession or control of any moneys—

(a) for and on behalf of that State;

(b) for the purpose of payment to that State; or

(c) to which that State has any claim whether under those Agreements or otherwise,

those moneys shall be charged with the due performance by that State of its obligations under those Agreements, and may be applied in discharge of any liabilities of that State which have accrued under those Agreements:

Provided that if the Auditor-General certifies that the obligations of the State under those Agreements have been satisfied, or, if in any action, suit or other proceeding to which the Commonwealth is a party or in which it has intervened, the High Court determines that no amount was due and payable and unpaid by the State to the Commonwealth under or in pursuance of those Agreements, the moneys which have so come into the possession or control of the Commonwealth shall be dealt with in the same manner as is specified in section eighteen of this Act.

15. (1.) At any time during the currency of any Proclamation, the Treasurer may serve, or cause to be served, upon the chief executive officer in Australia of any corporation carrying on the business of banking, a notice in writing requiring that officer—

(a) to render forthwith to the Treasurer or to an authorised person a return of the amount of the balance standing to the credit of

the State to which the Proclamation relates, in the books of the corporation, whether upon fixed deposit, current account or otherwise, specifying the amount of the balance standing to the credit of the State under each of those heads; and

- (b) to pay to the Treasurer or authorised person forthwith, or within such period (if any) as is specified in the notice, the whole of that amount or such part of it as is specified by the Treasurer in the notice, and thereafter to pay to the Treasurer or authorised person, within a period or to an amount specified in the notice, any further moneys subsequently received by the corporation on account of the State.

(2.) The receipt of the Treasurer or authorised person shall be a good discharge to the corporation of its obligation to pay the said moneys to the State, and, upon payment thereof to the Treasurer or authorised person, the corporation shall be exempt from any liability to the State in respect thereof, in any proceedings whatsoever.

(3.) Any moneys received by the Treasurer or an authorised person in pursuance of this section shall be dealt with as if they were moneys received by him under or by virtue of the provisions of section seven of this Act:

Provided that if in any proceedings whatsoever it is proved to the satisfaction of the High Court that no amount of money was due and payable and unpaid by the State to the Commonwealth under or by virtue of the Financial Agreements, or that an amount of money less than the amount or amounts set forth in a certificate given by the Auditor-General in pursuance of section five or six of this Act, or certificates given by him in pursuance of either of those sections and section thirteen was in fact due and payable and unpaid by the State to the Commonwealth under the Financial Agreements, the moneys received by the Commonwealth in pursuance of this section shall be dealt with in the manner prescribed by section eighteen of this Act.

(4.) Any chief executive officer who refuses or fails to comply with the requirements of any notice served upon him in pursuance of this section, or who renders a return which is false in any particular, or who otherwise contravenes, or is concerned in any contravention of, this section shall be guilty of an offence.

(5.) Notwithstanding the foregoing provisions of this section, if the Treasurer is satisfied—

- (a) that any moneys paid to him or to an authorised person in pursuance of this section include moneys deposited by any person as security for the supply of goods, the performance of services or the carrying out of any work; and
- (b) that the conditions on which the moneys were deposited have been fulfilled,

the Treasurer may refund those moneys, and any refund so made shall, as between the person making the deposit and the State, be deemed to have been made by the State.

(6.) In this section, the expression “chief executive officer” includes any person for the time being acting as, for, or on behalf of, the chief executive officer of the corporation.

Part IV.—Adjustment with State.

16. (1.) The Treasurer shall keep an account of all moneys received by the Commonwealth in pursuance of this Act, and of all expenses incurred by the Commonwealth by reason of the application of any of the provisions of Part II. of this Act in relation to a State, including the expenses of collecting, accounting for, paying and transmitting moneys, and shall be entitled from time to time to deduct from those moneys the amount of any such expenses, and shall, as soon as practicable, from time to time apply the balance in discharge of any liabilities of the State which have accrued under the Financial Agreements and refund to the State any amount received by the Treasurer under this Act in excess of the liability of the State to the Commonwealth.

(2.) A copy of every such account shall be supplied from time to time to the Treasurer of the State.

17. (1.) Upon the discharge of all such liabilities of the State the Auditor-General shall give to the Treasurer a certificate to that effect, and upon the receipt by the Treasurer of any such certificate a Proclamation to that effect shall be issued by the Governor-General.

(2.) At any time during the currency of any Proclamation referred to in section seven of Part II. of this Act, the Governor-General may issue a Proclamation revoking that Proclamation.

(3.) Upon the issue of a Proclamation under either of the last two preceding subsections, the provisions of sections seven to thirteen (inclusive) of Part II. of this Act shall cease to apply in relation to the State concerned until or unless a further resolution is carried by both Houses of the Parliament in pursuance of this Act.

18. (1.) Notwithstanding the preceding provisions of this Act, if, in any proceedings in the High Court to which the Commonwealth is a party, or in which it has been granted leave to intervene, it is declared in the final judgment of the High Court that no amount is due and payable and unpaid by the State to the Commonwealth under or in pursuance of the Financial Agreements, or that a smaller amount than the amount set forth in that certificate is due and payable and unpaid, the moneys received by the Commonwealth, in respect of that State, under or by virtue of this Act, or moneys to an amount in excess of the amount declared to be so due and payable and unpaid, as the case may be, shall be paid by the Commonwealth to the State, or to the persons from whom such moneys were received, as may be directed by the Court, to the intent that a State shall not, in respect of any money received by the Commonwealth, recover an amount both from the Commonwealth and from the person who paid the money to the Commonwealth under the provisions contained in this Act.

(2.) Any payment by the Commonwealth under this section shall be subject to all such allowances as, in the opinion of the High Court, may be just in respect of—

- (a) such amount (if any) as has been applied by the Commonwealth in discharge of any liabilities of the State which have accrued under the Financial Agreements, for the amount of which liabilities the Commonwealth is or was directly or indirectly liable under those Agreements;

- (b) such amount (if any) as has already been paid by the Commonwealth to the State in pursuance of this Act; and
- (c) expenses incurred by the Commonwealth by reason of the application of this Act in relation to the State, including the expenses of collecting, accounting for, paying and transmitting moneys.

Part V.—Removal of Causes.

19. (1.) When in any cause pending in any Court of a State there arises any question as to whether, by virtue of the provisions of the Financial Agreements, the Commonwealth is under any liability to make any payment to a State or to any person, or a State is under any liability to make any payment to the Commonwealth or to any person, or whether, by virtue of the provisions of this Act, any person is under any liability to make any payment to the Treasurer or any authorised person or to any State, it shall be the duty of the Court to proceed no further in the cause, and the cause shall be, by virtue of this Act, and without any order of the High Court, removed to the High Court.

(2.) Thereupon the proceedings in the cause, and such documents (if any) relating thereto as are filed of record in the Court of the State, shall be transmitted by the Registrar, Prothonotary or other proper officer of the Court, to the Registrar of the High Court in the State: or, if there are more registries than one in the State, to such Registry as is prescribed by Rules of Court.

(3.) Where a cause is removed to the High Court under this section, the High Court shall proceed therein as if the cause had been originally commenced in that Court, and as if the same proceedings had been taken in the cause in the High Court as had been taken therein in the Court of the State prior to its removal, but so that all subsequent proceedings shall be according to the course and practice of the High Court.

Part VI.—Miscellaneous.

20. Nothing contained in this Act shall impair or diminish the control of the High Court over the execution or enforcement of any judgment of the Court.

21. (1.) Any person who contravenes, or refuses or fails to comply with any provision of this Act, or of any requirement or direction made or given in pursuance of this Act, shall be guilty of an offence.

(2.) Any offence against this Act may be prosecuted either summarily or upon indictment.

(3.) The punishment for an offence against this Act shall be as follows:—

(a) If the offence is prosecuted summarily—a fine not exceeding One hundred pounds or imprisonment for a term not exceeding six months, or both; or

(b) If the offence is prosecuted upon indictment—a fine not exceeding Five hundred pounds or imprisonment for a term not exceeding two years, or both.

(4.) An offence against section ten of this Act shall not be prosecuted without the written consent of the Treasurer.

22. In any proceedings whatsoever, a certificate of the Auditor-General, given in pursuance of subsection (1) of section five of this Act, shall be *prima facie* evidence that the amount certified to be due and payable and unpaid by a State to the Commonwealth under or by virtue of the Financial Agreements is so due and payable and unpaid, and that the sums comprised in that amount are due and payable and unpaid in respect of the items set forth in the certificate.

23. The mere production of the *Gazette* containing what purports to be a copy of a certificate given by the Auditor-General in pursuance of this Act shall in all Courts be evidence that a certificate in the terms appearing in the *Gazette* was given by the Auditor-General in pursuance of this Act.

24. The expiry of this Act, or the cessation (whether by virtue of the issue of a Proclamation or otherwise) of the application of the provisions of sections seven to thirteen (inclusive) of Part II. of this Act in relation to any State, shall not affect—

- (a) any right, privilege, obligation or liability acquired, accrued, or incurred thereunder;
- (b) any penalty, forfeiture, or punishment incurred in consequence of any offence committed against this Act; or
- (c) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid;

and any such investigation, legal proceeding, or remedy may be instituted, continued or enforced, and any such penalty, forfeiture, or punishment may be imposed, as if this Act had continued in operation, or the provisions of sections seven to thirteen (inclusive) of Part II. had not ceased to apply, as the case may be.

25. The Consolidated Revenue Fund is to the necessary extent hereby appropriated for the purpose of any payment for which the Commonwealth is liable under or in pursuance of this Act.

26. The Governor-General may make regulations, not inconsistent with this Act, prescribing all matters required or permitted to be prescribed, or which are necessary or convenient to be prescribed, for carrying out or giving effect to this Act, and in particular—

- (a) for conferring on the Treasurer, officers of the Commonwealth, or authorised persons, powers of requiring returns and production of documents, and any other powers which in the opinion of the Governor-General are necessary or desirable to be conferred for the purposes of carrying out this Act;
 - (b) for imposing for the purposes of this Act duties on Ministers of and officers and persons employed by the State;
 - (c) for requiring persons or classes of persons to furnish returns of moneys due or likely to become due to the State; and
 - (d) for prescribing penalties, not exceeding in any case One hundred pounds or imprisonment for six months, for any contravention of the regulations.
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CHAPTER 6.—PUBLIC AND PRIVATE FINANCE.

224. It is not possible here to enter into an extensive discussion upon the public finances of the Commonwealth and the States. Apart from the special features, which have been touched upon in earlier chapters, all that can now be attempted is to furnish by way of the tables, which follow, a condensed account of the financial transactions of the various Australian Governments in general and the Western Australian Government in particular.

AUSTRALIA.

SUMMARY OF CONSOLIDATED REVENUE FUNDS OF THE COMMONWEALTH AND THE STATES FOR THE YEAR ENDED 30TH JUNE, 1933.

Source of Revenue.	Common- wealth.	States.	Total.
(In millions of £s.)			
Taxation	56·15	22·53	78·68
Railways and Tramways	·30	41·20	41·50
Commonwealth Payments to States ... ..	...	12·52	12·52
All other sources	17·06	31·50	48·56
Total, Revenue	73·51	107·75	181·26
Heads of Expenditure.			
Interest and Charges on Debt	18·00	35·85	53·85
Exchange	1·40	5·63	7·03
Railways and Tramways (exclusive of Construction)	1·01	29·96	30·97
Commonwealth Payment to States as above	12·52	...	12·52
All other Expenditure	37·03	44·40	81·43
Total, Expenditure	69·96	115·84	185·80

REVENUE, 1929 TO 1932.

Year ended 30th June:—

1929	74·89	121·81	196·70
1930	77·14	116·47	193·61
1931	69·56	106·64	176·20
1932	71·53	100·05	171·58
1933	73·51	107·75	181·26

EXPENDITURE, 1929 TO 1932.

Year ended 30th June:—

1929	77·25	123·26	200·51
1930	78·61	125·80	204·41
1931	80·32	121·41	201·73
1932	71·53	119·72	191·25
1933	67·28	115·84	183·12

AUSTRALIA.

COMMONWEALTH AND STATES PUBLIC DEBT, WAR AND OTHER DEBT AS AT 30TH JUNE, 1932.

(As per Quarterly Summary Australian Statistics Bulletin No. 133.)

	Common- wealth.	States.	Total.
(In millions of £s.)			
WAR DEBT:—			
Redeemable in Australia	192·390	...	192·390
Redeemable Overseas	90·744	...	90·744
RAILWAYS, WORKS AND OTHER PURPOSES:—			
Redeemable in Australia	28·884	386·114	414·998
Redeemable Overseas	84·788	421·738	506·526
Total	396·806	807·852	1,204·658

INTEREST PAYABLE ON THE ABOVE PUBLIC DEBTS.

(As per Treasury Officials Statement prepared for Loan Council.)

	Common- wealth.	States.	Total.
(In millions of £s.)			
Interest payable in Australia	11·24	15·94	27·18
Interest payable Overseas	5·37	20·51	25·88
Total, Interest	16·61	36·45	53·06
Exchange payable on Interest due Overseas	2·16	6·27	8·43
	18·77	42·72	61·49

225. The foregoing tables serve to afford some idea of the magnitude of the expenditure necessary in respect of those functions which are responsibilities of the State Governments. In the aggregate, the loan expenditure of the States is much heavier than that of the Commonwealth, and the public debts of the States are approximately double the amount of public debt of the Commonwealth (including the Commonwealth war debt). This circumstance is accounted for by the fact that the principal matters upon which depends the development of Australia are responsibilities, not of the Commonwealth Government, but of the State Governments. Similarly, the aggregate annual expenditure from the Consolidated Revenue Funds of the States (and the revenue which must be raised to meet that expenditure) is far in excess of that of the Commonwealth. This is due largely to the fact that the States control public utilities while the Commonwealth does not. When an examination of the sources of revenue is made, however, it is found that the taxation collections by the Commonwealth are more than twice as great as those of the States.

REVENUE.		£	EXPENDITURE.		£
TAXATION:—			1. WAR AND REPARATION SERVICES:—		
<i>Indirect:</i>			Interest, Sinking Fund and Exchange...		11,559,000
1. Customs and Excise	...	32,992,000	War Pensions	...	6,954,000
2. Sales Tax	...	9,360,000	Other War Services	...	810,000
<i>Direct:</i>					10,122,000
3. Land Tax	...	1,650,000	2. SPECIAL APPROPRIATIONS (OTHER THAN WAR AND REPARATION, AND BUSINESS UNDERTAKINGS).		
4. Income Tax	...	10,570,000	Interest and Sinking Fund	...	3,186,000
5. Estate Duties	...	1,127,000	Invalid and Old-Age Pensions	...	10,771,000
6. Other	...	129,000	Other Special Appropriations	...	957,000
BUSINESS UNDERTAKINGS.—(see opposite side for Expenditure).		56,146,000			14,914,000
7. Post Office	...	12,635,000	ORDINARY VOTES OF DEPARTMENTS OTHER THAN BUSINESS UNDERTAKINGS AND TERRITORIES OF THE COMMONWEALTH. (Exclusive of Interest which has been included under Item 2, viz., "Special Appropriations")		
8. Railways	...	301,000	3. The Parliament	...	111,000
9. TERRITORIES OF THE COMMONWEALTH	...	...	4. The Prime Minister's Department	...	254,000
10. NET PROFIT, AUSTRALIAN NOTE ISSUE	...	203,000	5. The Department of the Treasury	...	667,000
11. INTEREST ON LOANS TO STATES FOR SOLDIER SETTLEMENT	...	1,108,000	6. The Attorney General's Department	...	141,000
12. OTHER REVENUE:—	...	1,084,000	7. The Department of the Interior	...	319,000
Coinage	...	40,000	8. The Department of Defence	...	3,105,000
Defence	...	48,000	9. The Department of Trade and Customs	...	479,000
Attorney General	...	88,000	10. The Department of Health	...	93,000
Health	...	17,000	11. The Department of Commerce	...	322,000
Marine	...	205,000			5,491,000
Interest	...	1,385,000			1,276,000
Other	...	244,000			293,000
		2,036,000			
			12. Miscellaneous Services	...	...
			13. Additions, New Works, Buildings, etc.	...	...
			14. BUSINESS UNDERTAKINGS. (See opposite side for Revenue).	...	...
			Post Office:—		
			Special Appropriations (Interest, etc.)	...	2,981,000
			Ordinary Votes	...	8,722,000
			Additions, etc.	...	462,000
					12,165,000
			15. Railways:—		
			Special Appropriations (Interest, etc.)	...	485,000
			Ordinary Votes	...	532,000
			Additions, etc.	...	52,000
					1,069,000
			16. TERRITORIES OF THE COMMONWEALTH	...	13,234,000
			17. RELIEF TO PRIMARY PRODUCERS	...	891,000
			18. PAYMENTS TO STATES:—		2,250,000
			Special payments to W.A., S.A., and Tasmania...	...	1,830,000
			Grants for Federal Aid Roads	...	1,922,000
			Contributions towards Sinking Fund on State Debts	...	1,188,000
			Contributions towards Interest on State Debts	...	7,585,000
					12,525,000
			TOTAL EXPENDITURE	...	69,666,000
			SURPLUS FOR YEAR	...	3,647,000
					£73,313,000

WESTERN AUSTRALIA.

CONSOLIDATED REVENUE FUND—SUMMARY OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30TH JUNE, 1933. (TO THE NEAREST THOUSAND.)

REVENUE.		EXPENDITURE.	
£	£	£	£
1. TAXATION (Land Tax, Income Tax, Dividend Duty, Betting Duty, Stamp Duty, Probate Duty, Entertainment Tax, etc.)	1,123,000	1. Interest on Public Debt:—	1,932,000
2. LAND, MINING, AND TIMBER REVENUES	270,000	Overseas	1,807,000
3. INTEREST ON ADVANCES FOR LAND SETTLEMENT, ETC.	886,000	2. Exchange on Interest payable Overseas	3,239,000
4. LAW COURTS, ROYAL MINT AND OTHER DEPARTMENTAL REVENUE, ETC.	627,000	3. Sinking Fund	567,000
5. RECEIPTS FROM COMMONWEALTH:—	1,513,000	4. Constitution Act (Governor, Judiciary, and Ministerial Salaries)	206,000
Grant	500,000	5. University, Royal Mint, Pensions, Parliamentary Allowances, etc.	11,000
Interest Contributions under Financial Agreement	474,000	GOVERNMENTAL EXPENDITURE.	225,000
	974,000	6. Parliament, and Premier's Department	105,000
PUBLIC UTILITIES REVENUE.	3,805,000	7. Treasurer	140,000
6. Railways	2,921,000	8. Minister for Forests	13,000
7. Tramways	282,000	9. Minister for Public Works and Labour	26,000
8. Electricity Supply	279,000	10. Minister for Justice	67,000
9. Goldfields Water Supply	172,000	11. Minister for Education	533,000
10. Metropolitan Water Supply, Sewerage and Drainage	350,000	12. Chief Secretary (Aborigines, Harbour and Lights, Lunacy, etc.)	170,000
11. State Batteries	96,000	13. Minister for Mines	87,000
12. Miscellaneous	334,000	14. Minister for Health	76,000
TOTAL REVENUE	4,437,000	15. Minister for Lands and Immigration	52,000
Deficit	8,332,000	16. Minister for Agriculture	65,000
	804,000	17. Minister for Police	198,000
		18. Minister for Employment, Child Welfare and Industrial Development:—	
		General	148,000
		Unemployment	347,000
			495,000
		PUBLIC UTILITIES EXPENDITURE.	
		(Exclusive of Interest (£1,750,000 which is provided for in Item 1 above)	
		19. Railways	2,089,000
		20. Tramways	222,000
		21. Electricity Supply	192,000
		22. Goldfields Water Supply	108,000
		23. Metropolitan Water Supply, Sewerage and Drainage	83,000
		24. State Batteries	81,000
		25. Miscellaneous	66,000
		TOTAL EXPENDITURE	2,841,000
			£9,106,000

226. The tables which appear on the two preceding pages summarise the principal sources of revenue and heads of expenditure in respect of the Commonwealth Treasury and of the State Treasury of Western Australia respectively.

227. Where a small population spread over a large area has to be administered, it naturally follows both in respect of loan expenditure for developmental works and revenue expenditure for the customary governmental services, that the cost per unit will be greater than in the case of a more densely populated and compact area. The peculiar disability of Western Australia in this direction has already been touched upon earlier in this Case.

THE PUBLIC DEBT OF WESTERN AUSTRALIA.

The following Table discloses the amount of the Public Debt of Western Australia as at the 30th June, 1933, and the Annual Interest payable thereon.

	Redeemable in Australia.	Redeemable in London.	Total.
	(In millions of £'s.)		
Loans raised in London by the State on the security of the State and without any guarantee or assistance from the Commonwealth. (These Loans were raised at various times during the period 1872 to 1927.)	...	34·07	34·07
Loans raised in Australia on the security of the State and without any guarantee or assistance from the Commonwealth. (These Loans were converted into Australian Consolidated Stocks by virtue of the Debt Conversion Act, 1931.)	6·90	...	6·90
Loans raised by the Commonwealth on behalf of Western Australia before and after the Financial Agreement, 1928, etc.	20·46	(a) 13·70	34·16
Other Loans (including Loan of £3,100,000 from Commonwealth Note Issue)	8·38	...	8·38
Total Public Debt of Western Australia	35·74	47·77	83·51

(a) Includes £2·07 million raised in New York and redeemable there.

	Australia.	London.	Total.
	(In millions of £'s.)		
Interest for year 1932-33	1·31	1·93	3·24
Exchange for year 1932-33	...	·57	·57

THE LOAN EXPENDITURE OF WESTERN AUSTRALIA—YEAR 1932-33.

GROUP 1.

	Total Loan Liabilities at 30-6-33. £	Net Earnings for year. £	Interest Charge for year. £	Profit for Year. £	Loss for Year. £
<i>Fully Reproductive Works.</i>					
Tramways and Electricity Supply	2,379,959	147,289	93,803	53,486	...
Abattoirs and Sale Yards	126,906	14,979	5,001	9,978	...
Metropolitan Markets	91,258	9,606	3,596	6,010	...
State Hotels and Tourist Resorts	101,512	7,302	4,000	3,302	...
State Ferries	12,180	3,649	1,480	2,169	...
State Quarries	36,576	3,578	1,441	2,137	...
Water Supply, Sewerage and Drainage	...	...	...	...	...
Harbours and Rivers	8,593,158	362,469	338,698	43,771	...
Workers' Homes Board	6,091,952	283,009	240,115	42,896	...
Agricultural Bank	661,142	40,041	26,058	13,983	...
State Batteries	7,287,646	287,241	287,241	...	...
	342,130	18,318	13,484	4,834	...
	25,724,419	1,197,481	1,014,915	182,566	...

GROUP 2.

Partially Reproductive Works.

	Total Loan Liabilities at 30-6-33. £	Net Earnings for year. £	Interest Charge for year. £	Profit for Year. £	Loss for Year. £
Railways	25,053,009	831,464	987,463	...	155,999
State Steamships	1,242,779	7,244	48,983	...	41,739
State Saw Mills	355,607	6,000	14,015	...	8,015
State Brickworks	56,745	1,628	2,237	...	609
Wyndham Freezing Works	1,046,757	5,102	41,257	...	36,155
Assistance to Settlers	1,927,656	10,173	75,977	...	65,804
Soldier Land Settlement	7,429,017	95,604	292,813	...	197,209
Agriculture generally, including Group Settlement	8,948,747	*352,248	352,713	...	465
Assistance to Industries	402,364	4,271	15,859	...	11,588
Loans to Public Bodies	101,301	3,834	3,992	...	158
Albany Cold Stores	21,807	64	860	...	796
Perth City Markets	20,000	661	788	...	127
Roads and Bridges	2,153,967	6,040	84,807	...	78,767
Public Buildings	1,392,308	3,684	54,877	...	51,193
Development of Mining	1,833,586	1,638	72,270	...	70,632
Pine Planting and Forestation	190,376	344	7,503	...	7,150
Treasurer's Advance	226,922	248	8,944	...	8,696
Plant Suspense Account	194,487	234	7,065	...	7,431
Stock Suspense Account	67,980	1,885	2,679	...	794
	52,665,415	1,332,366	2,075,702	...	743,336

GROUP 3.

Totally Unproductive Works.

	£	£	£	£	£
State Implement Works†	172,570	...	6,802	...	6,802
Consolidated Revenue	2,923,000	...	91,560	...	91,560
Trading Concerns Bank Accounts Overdraft	556,101	...	21,918	...	21,918
Stores on Hand	228,321	...	8,999	...	8,999
Telegraphs	242,484	...	9,557	...	9,557
Immigration	51,703	...	2,038	...	2,038
Crawley Park Purchase	14,275	...	563	...	563
Dalkeith Estate	9,949	...	392	...	392
Nedlands Land Purchase	12,008	...	473	...	473
North-West Minor Works	12,760	...	503	...	503
Miscellaneous	155,143	...	6,114	...	6,114
	3,778,314	...	148,919	...	148,919

SUMMARY.

	£	£	£	£	£
Group No. 1	25,724,419	1,197,481	1,014,915	182,566	...
Group No. 2	52,665,415	1,332,366	2,075,702	...	743,336
Group No. 3	3,778,314	...	148,919	...	148,919
	82,168,148	2,529,847	3,239,536	182,566	892,255
					182,566
					709,689

* Includes £297,975 transferred from Group Settlement Reserve Account.

† No longer operating as a trading concern, but as a Government Repair Shop.

This Table is subject to revision.

228. The two foregoing tables set forth (a) a summary of the details of the public debt of Western Australia (and of the interest payable in respect thereof), and (b) a classification of the loan expenditure of the State. Various factors (*e.g.*, the different methods of arranging finance and recording financial transactions) operate to preclude a true comparison from the foregoing tables between the loan expenditure of Western Australia and that of other States. Moreover, in any such comparison, it is necessary to consider the needs and peculiar conditions of Western Australia and its comparatively backward state of development at the commencement of Federation.

229. The following table shows how the expenditure on the development of agriculture in Western Australia has grown since 1912:—

Year ended June.	Total loan Expenditure. £	Increase. £	Average annual Increase. £
1912 ..	1,833,183		
1917 ..	4,796,200	2,963,017	592,603
1922 ..	11,180,259	6,384,059	1,276,812
1927 ..	22,160,197	10,979,938	2,195,987
1932 ..	28,760,849	6,600,652	1,320,130

230. It will be seen that the greatest increase occurred in the quinquennial period 1922-27, during which the Migration Agreement was entered into between the Imperial and the Commonwealth Governments. It is worthy of comment that this agreement followed negotiations with the Imperial Government initiated by the then Premier of Western Australia. Briefly, this agreement provided for the settling of British migrants on Australian farms. The money to finance the scheme was raised by the Commonwealth in Great Britain and loaned to the State at rates of interest which, low in the first years, increased later until the full rate was payable.

231. Under the scheme, this State borrowed £4,669,704 for the settlement of migrants, but the cost to the State has resulted in loan moneys to the extent of £8,662,928 being expended. This undertaking shouldered by the State of Western Australia in conjunction with the Imperial and Commonwealth Governments accounts largely for the increased loan expenditure since 1922.

232. In Chapter 10 of this Case it is explained how the development of Western Australia's agricultural industries (including not only direct assistance to those industries, but also the very heavy expenditure on the construction of railways) can be regarded as a national work for the ultimate benefit of Australia as a whole, and is, therefore, nationally justified. If all these facts be borne in mind, the loan expenditure incurred by Western Australia may be viewed in a truer perspective; and it will be realised that in comparison with other States such expenditure has not been unduly high.

Local Government Finance.

233. Practically the whole of Western Australia has been divided into municipalities and roads boards; and the construction, maintenance, and management of roads and bridges

is the main item within the control of those local authorities. The following is a summary of the financial transactions of municipalities and roads boards throughout the State of Western Australia for the year ended 30th June, 1933:—

	No.	Revenue.	Expenditure.	Assets.	Liabilities.
		(In millions of £'s)			
Municipalities ..	21	1.157	1.178	3.759	2.816
Roads Boards ..	126	.634	.612	.971	.836
	147	1.791	1.790	4.730	3.652

Statistical Information.

234. The information, which has been furnished throughout this chapter, is supplemented by a series of self-explanatory financial statements which are appended at the end of the chapter.

Currency and Coinage.

235. Interesting indeed, is the history, although it cannot be given here, of Australian currency from the time of the earliest settlement at Sydney (or Port Jackson as it was then called), when barter was the recognised medium of exchange and rum, corn, and wheat the principal articles used as currency, down to the present time when the question as to what is the "pound" has been just as perplexing as it was in the days of Peel. For some years past the Australian public have been taught by bankers, economists and other Australian authorities, that since the departure of Australia from the gold standard, the Australian pound was a monetary unit and a measure of value quite distinct from the pound sterling—a theory which, although true from an economic viewpoint, appears to have been disproved in December last by a decision of the ⁽¹⁾House of Lords after a series of appeals and counter appeals (with alternating success) from the Courts below. It appears to have been decided (in effect) by the House of Lords that there is no coin or other measure of value which could, with legal correctness, be described as an Australian pound; that the real pound sterling is the measure of value in Australia as in England and that while the value of the pound in Australia is so much less than its value in England, an easy solution of exchange questions arising under contracts cannot be found by speaking of "English pounds" and "Australian pounds"; that what must be ascertained is the coun-

(1) *Adelaide Electric Co., Ltd., v. Prudential Assurance Co., Ltd.* 50 The Times L. R., p. 147.

try in which the contract makes the debt payable; that if the debt is payable in Australia it may be discharged with Australian notes; if it is payable in England it can be discharged with English notes.

236. In Western Australia, the earliest currency (1830) took the form of promissory notes issued by the Government in payment of work done or stores purchased; such coins as circulated were British. In the year 1835 the Government was issuing £1 notes as a temporary expedient. In 1852 British coins were formally made current, in 1856 the Sydney-minted coins, and in 1869 those of the Melbourne Mint. In 1894, a few years after the discovery of gold, application was made for the establishment of a Royal Mint at Perth, and this was opened for business on the 20th June, 1899.

237. Under Section 51 of the Commonwealth Constitution, currency and coinage, the issue of paper money and banking (other than State banking), became Federal matters; and under Section 115 the States are precluded from coining money and from making anything but gold and silver coin a legal tender in payment of debts. These provisions seriously limit the scope of State banking. Until 1909-10, the prevailing conditions were those which had existed for some years before the various Australian colonies federated. The Imperial Coinage Act of 1870 was in operation, and the current coins were British. The paper money then in existence took the form of notes issued by the Joint Stock Banks carrying on business in the country. In Queensland, however, Treasury Notes took the place of bank notes in 1893; but the issue of notes by a State was prohibited by Commonwealth legislation in 1910 as explained later in this chapter.

238. The Commonwealth Coinage Act was passed in 1909; and since 1916 silver and bronze coins have been minted in Australia on behalf of the Commonwealth Treasury. In addition to coins minted at Melbourne and Perth Mints, Imperial silver coins legally current in England, and which were minted prior to 31st March, 1920, when the fineness was reduced from .925 to .500 are also legal tender in Australia. Sovereigns coined at the Royal Mint, London, or at any of its branches throughout the Empire, are legal tender in Australia. The provisions as to legal tender are:—gold coins, up to any amount; silver, for an amount not exceeding forty shillings; and bronze, up to one shilling. The standard weights of the sovereign and half-sovereign are respectively 123.27447 grains and 61.63723.

grains, but these coins will pass current if they do not fall below 122.5 grains and 61.125 grains respectively. The Commonwealth Coinage Act contains a provision similar to Section 6 of the Imperial Coinage Act, 1870, requiring that all transactions, etc., shall be entered into according to the coins which are current or according to the currency of some foreign State, etc.

The Australian Note Issue.

239. By Commonwealth legislation in 1910, the issue of bank notes was virtually prohibited by the imposition of a tax of 10 per cent. on all bank notes issued or re-issued by the Joint Stock Banks; notes issued by a State and payable to bearer on demand were declared not to be legal tender; and the Joint Stock Banks were prohibited from circulating any such notes. Provision was also made for the Federal Treasurer to be authorised to issue Australian notes; in 1920 the control of the Australian Note Issue was transferred to the Commonwealth Bank. The Australian notes were to be legal tender throughout the Commonwealth, and could be issued in denominations of 10s., £1, £5, £10, or any multiple of £10. Australian notes were first issued in December, 1910.

240. As a result of this legislation the private banks' notes, which for many years previously had fluctuated between an amount of £3,000,000 and £3,500,000, were replaced by an issue of Australian notes whose value within two years amounted to £9,500,000.

241. In Australia the increase in the supply of money (by the addition of paper pounds from the printing press controlled, up to the end of 1920, by the Federal Government, and thereafter by the Commonwealth Bank Board) may be seen from the following table:—

AUSTRALIAN NOTE ISSUE, 1910-1933.

In millions of £'s.		In millions of £'s.	
December, 1910	3.38	June, 1923	52.10
June, 1911	7.98	June, 1924	56.89
June, 1912	9.48	June, 1925	53.89
June, 1913	9.16	June, 1926	53.89
June, 1914	9.57	June, 1927	48.39
June, 1915	32.12	June, 1928	44.45
June, 1916	44.60	June, 1929	42.25
June, 1917	47.20	June, 1930	44.91
June, 1918	52.53	June, 1931	50.65
June, 1919	55.56	June, 1932	51.30
June, 1920	56.94	June, 1933	47.55
June, 1921	58.22	February, 1934	47.30
June, 1922	53.58		

242. It may be mentioned that whereas in June, 1914, the issue amounted to less than £10,000,000, it had reached its highest point, some £59,000,000, in October, 1918, since when it has receded as shown above.

243. In 1915 the Federal Treasury, which then controlled the note issue, printed notes to the value of £18,000,000 and lent them to the States to enable them to carry on public works. This partially explains the sudden rise in 1915. The advantage to the Commonwealth (and the corresponding disadvantage to the States) of having the control of the note issue—the control of the printing press—in the hands of the Commonwealth is at once apparent. On its share of this “loan” (£3,100,000) Western Australia has already paid some £2,740,000 in interest up to the 30th June, 1933; and the principal is still owing.

244. At the 5th February, 1934, notes in circulation amounted to £47,300,000, of which £21,800,000 were held by the banks and £25,500,000 by the public; against this there was a reserve of “gold and English sterling,” amounting to £14.5 millions. On an average, the notes circulating amongst the people approximate £4 per head of the population, in addition to the notes held by the banks. During Christmas week and on similar occasions, another £4,000,000 is to be found in the hands of the populace.

245. Prior to 19th June, 1931, the reserve held in gold against the note issue was fixed at 25 per cent. of the total notes in circulation. To permit further shipments of gold to meet short-term obligations in London, an amending Act reduced the statutory gold reserve to 15 per cent. with provision for the restoration to 25 per cent. within a period not exceeding five years. A further amending Act provided that portion of the note issue reserve may be held in “English sterling,” which was defined as follows:—(a) Balances standing to the credit of the Bank at the Bank of England or at any other of its bankers in London; (b) Bills of exchange or advances secured thereby which will mature in not more than three months and which are payable in the United Kingdom in currency which is legal tender therein; and (c) Treasury bills or other securities of the United Kingdom which will mature in not more than three months.

246. Originally, the Australian notes were payable on demand at the Commonwealth Treasury at the Seat of Government,

and, later, at the Head Office of the Commonwealth Bank. In 1929 the Commonwealth Bank was empowered by Commonwealth legislation to acquire the gold held in Australia in exchange for currency of a similar nominal value. The effect of this legislation was of a two-fold nature; by placing in the hands of the Commonwealth Bank the control of the export of gold it virtually took Australia off the gold standard; and for all practical purposes it made the Australian note inconvertible, a position which was brought about by the fact that although the law still required the conversion of the notes into gold, the Commonwealth Bank had the power to re-acquire the gold as soon as the note was converted.

The Commonwealth Bank of Australia.

247. The growth and development of the Commonwealth Bank of Australia, which came into existence by virtue of the provisions of the Commonwealth Bank Act, 1911, is undoubtedly the outstanding feature of Australian finance; although there is no reason to believe that a State Bank with control over the note issue in the State would not have enjoyed a proportionate degree of development and success.

248. Established as a national bank on the 20th January, 1913, without any capital, the deposits of the opening day included some £2,000,000 lodged by the Commonwealth Government by transfer of part of its funds at the private banks with whom they had banked in the past. The Commonwealth Bank and Commonwealth Savings Bank to-day have assets of approximately £210,000,000, and make an annual profit of approximately £800,000, exclusive of the profit on the Australian Note Issue.

249. In 1928 the Savings Bank Department was separated from the General Bank and established as a separate institution known as the Commonwealth Savings Bank of Australia.

250. In accordance with the provisions of Section 30 of the Bank Act and Section 9 (2) of the National Debt Sinking Fund Act, half of the net profits of the Commonwealth Bank are placed to the credit of the Bank's Reserve Fund, and half to the credit of the National Debt Sinking Fund. There has been a capitalisation of £4,000,000 of the Bank's accumulated profits.

251. The Board of Directors of the Commonwealth Bank consists of the Governor of the Bank, the Secretary to the Treasury, and six others. The Board is required to fix and publish its discount rates. The associated banks settle their exchanges through the Commonwealth Bank, and the associated banks supply to the Treasurer each quarter a statement of average weekly liabilities and assets in accordance with the schedule prescribed. The operations of the Bank, which holds in addition to the Commonwealth Government's accounts, those of the States of Victoria (portion only), Queensland, South Australia, Western Australia and Tasmania, and many local governing bodies, have led to its development in the direction of a Central Bank. The Bank has played a most important part in the financing of the deficits of Australian Governments during the years 1930-31 to 1932-33. The Balance Sheet and Accounts of the Commonwealth Bank as at 30th June, 1933, are reprinted in Appendix No. 17 at the end of this chapter.

252. In December, 1931, the Commonwealth Bank Board undertook the responsibility of regulating exchange on London and announcing rates each week.

Exchange on London.

253. In Appendix No. 18 at the end of this chapter, there is furnished an extract from the Commonwealth Year Book giving the value in Australia of £100 in London at varying dates from 1913 to the 18th March, 1932.

254. For many years there had been little difference between the value of £100 in London and in Australia. From 1913 to 1922 £100 in London varied from par to £101-15 in Australia; from the end of 1922 to the middle of 1926 £100 in London varied from par down to £97 in Australia. Owing to the cessation of Australian borrowing in London in recent years, and the sudden and heavy fall in the value of Australia's exportable products, difficulties in the exchange position became acute; the rate was held at 108 (£108 in Australia = £100 in London) till the end of 1930; but by the end of January, 1931, it had risen to 130. On the 3rd December, 1931, the Commonwealth Bank Board resolved to take responsibility for the regulation of exchange on London and fixed the rate at 125. The rate as then fixed remains unaltered. The following table shows the Rates of Exchange, Perth, on the undermentioned States, New Zealand and London during the year ended 30th

June, 1933, by the several cheque-paying banks operating in Western Australia:—

No. 2.—*Rates of Exchange, Perth, on the undermentioned States, New Zealand and London during the Year ended 30th June, 1933, by the several Cheque-paying Banks operating in Western Australia.*

	BUYING.			
	September Quarter, 1932.	December Quarter, 1932.	March Quarter, 1933.	June Quarter, 1933.

(A) INTERSTATE.

	per cent.	per cent.	per cent.	per cent.
At sight on—				
New South Wales ...		7s. 6d. to 10s.		
Victoria		5s. to 7s. 6d.		
South Australia ...		3s. to 5s.		
Queensland		10s. to 12s. 6d.		
Queensland, North of Rock-				
hampton		15s. to 20s.		
Tasmania		10s. to 12s. 6d.		

(B) OVERSEA.*

	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New Zealand	112 10 0	112 0 0	99 15 0	100 0 0
	to	to	to	to
	113 12 6	113 12 6	100 0 0	
London	124 15 0	124 15 0	124 15 0	124 15 0
At 60 days' sight on London ...	124 6 3	124 6 3	124 6 3	124 6 3

SELLING.

	September Quarter, 1932.	December Quarter, 1932.	March Quarter, 1933.	June Quarter, 1933.
--	--------------------------------	-------------------------------	----------------------------	---------------------------

(A) INTERSTATE.

	per cent.	per cent.	per cent.	per cent.
At sight on—				
New South Wales ...		7s. 6d. to 10s.		
Victoria		5s. to 7s. 6d.		
South Australia ...		3s. to 5s.		
Queensland		10s. to 12s. 6d.		
Queensland, North of Rock-				
hampton		15s. to 20s.		
Tasmania		10s. to 12s. 6d.		

(B) OVERSEA.*

	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New Zealand	114 7 6	114 7 6	100 10 0	100 10 0
London	125 7 6	125 7 6	125 7 6	125 7 6
At 60 days' sight on London ...	125 2 6	125 2 6	125 2 6	125 2 6

*Rates quoted in Australian currency on basis of £100.

The State Savings Bank of Western Australia.

255. The State (Government) Savings Bank of Western Australia, which commenced business in 1863, was amalgamated with the Commonwealth Savings Bank in 1931 upon the terms set forth in the Agreement between the Government of Western Australia and the Commonwealth Bank and ratified by the State Savings Bank Transfer Act, 1931. Just prior to the transfer, the deposits in the Western Australian Savings Bank amounted to nearly £8,000,000, and the deposits in the Western Australian branch of the Commonwealth Savings Bank totalled approximately £2,750,000. In moving the second reading of the Bill for the said Act the then Premier (Sir James Mitchell) said, *inter alia*:—

(1) "There had been pretty consistent withdrawals. One would expect there would be in bad times. In good times people pay their money into the savings bank, but in bad times they have to draw upon their accounts. No doubt people who had their money in the bank were withdrawing it to meet living expenses, for the payment of taxation and other accounts or to make investments. Whatever the cause, the withdrawals become heavier as the days went by. In July over £100,000 was withdrawn. I knew, of course, that the cash we had at our disposal would soon become exhausted. The security was there in Federal bonds, and could only be sold at a discount even then. There was no run on the bank at that time, but I realised the risk. I consulted the Governor of the Commonwealth Bank and found that I could not arrange finance to meet a serious run. I could not realise on the securities held by our Savings Bank. There was just under £8,000,000 deposited in the State Savings Bank; that is, £8,000,000 of the £23,000,000 on deposit by the people of this State in the whole of banks was deposited in the State Savings Bank. I knew that if the Savings Bank closed, in the first place it would bring great discredit on the State, and in the second place the £8,000,000 would become frozen at a time when money was wanted. I knew there were 270,000 accounts in the bank representing probably 150,000 depositors. I had to keep before me the interests of the 150,000 depositors, every one of whom is entitled to get his money whenever he desires it. The funds of the State Savings Bank are largely invested in Government stocks, the amount being £6,862,000. Of this sum £2,280,000 is in Federal bonds, which, for the reasons I have mentioned, are unsaleable at anything like face value. Those bonds have been accumulated over a considerable period, and appeared to be securities that could be readily realised. When I was in Melbourne they were quoted on the market at £83, and it was only a nominal value. After the end of July, we had £300,000 cash in the Savings Bank available to meet further withdrawals.

(1) W.A. Parliamentary Debates, 30th September, 1931, p. 5411, *et seq.*

It would not have taken much of a run to exhaust that £300,000. The bank has always invested in securities in the shape of Government bonds. The following shows the investment of funds:—

	£	s.	d.
Metropolitan Waterworks, Goldfields Water Supply			
Debentures	258,069	3	0
Debentures under Agricultural Lands Purchase Act	247,873	6	7
Water Board's Debentures	28,995	17	1
Local Inscribed Stock Certificates	4,122,906	15	0
Land Drainage Act Debentures	7,789	13	4
Treasury Bills			
Treasury Bonds	192,962	12	9
W.A. Government Debentures	6,210	0	0
Commonwealth Government	2,248,231	10	0
Inscribed Stock	31,950	0	0
	£7,144,988	17	9

..... Under the conditions of amalgamation, we are to receive 70 per cent. of the increased deposits of the amalgamated banks as from the 1st October, 1931. The profit and loss will be shared by the Commonwealth Bank and the State Government. The cost of running the bank will be reduced and the profit will be greater because of the larger number of accounts. Our deposits yield a profit of £19,000 a year at present. We guarantee the payment of interest on the securities and principal as well. The amalgamation is to last for 25 years, with the option of renewal for another 20 years.”

256. It is not doing an injustice to say that the following remarks, made by the present Chief Secretary (Hon. J. M. Drew, M.L.C.) during the debate on the Bill, very accurately described the circumstances surrounding the necessity for the transfer:—

(1) “The Commonwealth Bank authorities. had been after our State Savings Bank for years. Various Governments, including the Collier Administration, had been approached, and a proposal similar as far as I can remember to this embodied in the Bill, was turned down by the Collier Government. But here, in the circumstances the Commonwealth Bank authorities saw an opportunity for gaining their end, and they put on the screw by refusing to grant accommodation to this State for the purpose of enabling the State Savings Bank to pay its way. And that despite the fact—and they were acquainted with the fact—that over £2,250,000 of our depositors’ money was locked up in Commonwealth Bonds. No doubt when that money was invested in Commonwealth Bonds, it was so invested in the confident belief that, if an emergency arose and funds were needed to keep our Savings Bank afloat, the Commonwealth Bank would advance against the Commonwealth securities.”

257. It is also allowable to point out that these difficulties in which the State Savings Bank found itself, would not have arisen if, in respect of the note issue, the State and not the

Commonwealth had had control of the printing press and had used it as it has been used on occasions by the Commonwealth Bank, or if British Treasury bills had been purchased with the funds which were invested in Commonwealth bonds.

The Agricultural Bank of Western Australia.

258. The Agricultural Bank of Western Australia is a State-owned institution. It was established in 1894 and is the main instrument through which the Government has extensively assisted in financing and encouraging land settlement in Western Australia. The Bank is managed by three trustees in accordance with the Agricultural Bank Act, 1906-30. The Bank does not accept deposits like an ordinary bank. Prior to 1931 it derived its funds from the issue of mortgage bonds by the State Treasurer, and from money appropriated by Parliament for the purpose. Since that date, however, funds required by the Bank are obtained by a separate statutory Board created under the Finance and Development Board Act, 1931, with the necessary borrowing powers. The principal and interest due in respect of such bonds or other borrowings is chargeable upon the funds of the bank, and, in the event of any insufficiency therein, upon the Consolidated Revenue Fund.

259. Subject to the provisions of the Act, the Bank makes advances to persons engaged in agricultural, horticultural or pastoral pursuits, to an amount not exceeding £2,000. Advances are made upon the security of first mortgage upon which interest is payable half-yearly during the first ten years of the loan. At the expiration of that period the half-yearly payments commence to cover repayments of principal and interest, so that a settler discharges his total liability within a term of 20 years. The advances are generally granted for a specific purpose, *e.g.*, so much to purchase stock, machinery, seed, or superphosphate; so much to carry out improvements by way of clearing, fallowing, ringbarking, fencing, buildings, etc.

260. The Agricultural Bank also controls the Soldiers' Settlement Scheme and certain sections of the Group Settlement Scheme. The Industries Assistance Board—instituted in 1915 to provide special assistance to the settlers who were stricken by the drought of 1914-15—is a board whose members are also trustees of the Agricultural Bank.

261. The balance sheets of the Agricultural Bank and the Industries Assistance Board will be found in Appendix No. 19 and at the end of this chapter.

The Cheque-Paying Banks.

262. The Acts under which the various Joint Stock Banks are incorporated, differ somewhat. While most of the older banks were incorporated by special Act or Charter, the newer banks are generally registered under a "Companies Act" or some equivalent Act. This is also the case with those banks which, after the crisis of 1893 in the Eastern States, were reconstructed.

263. The cheque-paying banks operating in Western Australia at the present time and having various branches throughout the State are:—

Bank.	Head Office.	Year of Establishment in Western Australia.
Bank of New South Wales	Sydney	1883†
National Bank of Australasia, Limited	Melbourne	1866
Union Bank of Australia, Limited	London	1878
Commercial Bank of Australia, Limited	Melbourne	1888
Bank of Australasia	London	1841*
English, Scottish, and Australian Bank, Ltd.	London	1921‡
Bank of Adelaide	Adelaide	1922
Australian Bank of Commerce, Ltd.	Sydney	1926†
Commonwealth Bank of Australia	Sydney	1913

* Western Australian business discontinued in 1845, and recommenced on 2nd May, 1894. † The Western Australian Bank which commenced business in 1841, and the Australian Bank of Commerce which commenced business in 1926, were both amalgamated with the Bank of New South Wales, the former on the 29th March, 1927, and the latter on 28th December, 1931. ‡ The Royal Bank of Australia, Ltd., which commenced business in 1915, amalgamated with the English, Scottish, and Australian Bank, Ltd., on 1st April, 1927.

264. Banks transacting business in the State are required to furnish a quarterly statement of their assets and liabilities in Western Australia. According to the Quarterly Statistical Abstract No. 271, 1933, the total average assets and liabilities for the year 1932-33 were as follows:—

CHEQUE-PAYING BANKS (FORMERLY BANKS OF ISSUE) OPERATING IN WESTERN AUSTRALIA.

Quarter ended 31st December, 1933.

Total Average Assets	£27	millions
Total Average Liabilities	£17·5	millions

The above items are detailed in Appendix No. 20 at the end of this chapter.

APPENDIX No. 9.

WESTERN AUSTRALIA.

Amounts provided for Sinking Fund each Year since Federation.

Year.	Amounts provided from Revenue.	Contribution under Federal Aid Roads Act.	Contribution under Wire Netting Agreement.	Total.
	£	£	£	£
1899-1900 ...	65,207	...	...	65,207
1901 ...	70,816	...	...	70,816
1902 ...	136,820	...	...	136,820
1903 ...	180,440	...	...	180,440
1904 ...	176,669	...	...	176,669
1905 ...	190,526	...	...	190,526
1906 ...	209,492	...	...	209,492
1907 ...	232,336	...	...	232,336
1908 ...	238,666	...	...	238,666
1909 ...	243,763	...	...	243,763
1910 ...	243,761	...	...	243,761
1911 ...	236,254	...	...	236,254
1912 ...	245,275	...	...	245,275
1913 ...	244,555	...	...	244,555
1914 ...	250,100	...	...	250,100
1915 ...	258,792	...	...	258,792
1916 ...	265,457	...	...	265,457
1917 ...	275,686	...	...	275,686
1918 ...	301,532	...	...	301,532
1919 ...	313,851	...	...	313,851
1920 ...	314,442	...	...	314,442
1921 ...	315,654	...	...	315,654
1922 ...	281,060	...	...	281,060
1923 ...	223,917	...	...	223,917
1924 ...	226,561	...	...	226,561
1925 ...	236,232	...	...	236,232
1926 ...	257,830	...	...	257,830
1927 ...	212,951	...	...	212,951
1928 ...	157,080	3,690	...	160,770
1929 ...	171,100	9,650	5,870	186,620
1930 ...	187,970	14,030	6,014	208,014
1931 ...	220,218	24,343	6,069	250,630
1932 ...	238,604	10,574	6,118	255,296
1933 ...	265,762	21,148	6,709	293,619

APPENDIX No. 10.

WESTERN AUSTRALIA.

Gross and Net Loan Expenditure also Amounts applied to Funding of Revenue Deficits.

Year.	Gross		Net		Per Head.		Deficit Funded.		
	Expenditure.	£	Expenditure.	£	£	s. d.	£	s. d.	
1901-02	...	1,573,829	1,573,829	1,573,829	8	2 2	...		
1902-03	...	1,698,810	1,698,810	1,698,810	7	19 3	...		
1903-04	...	751,741	751,741	751,741	3	6 3	...		
1904-05	...	698,019	698,019	698,019	2	17 9	...		
1905-06	...	537,558	537,558	537,558	2	2 2	...		
1906-07	...	724,616	724,616	724,616	2	15 5	...		
1907-08	...	732,036	732,036	732,036	2	16 0	...		
1908-09	...	1,020,274	1,020,274	1,020,274	3	16 5	...		
1909-10	...	1,044,524	1,044,524	1,044,524	3	16 5	...		
1910-11	...	1,503,090	1,503,090	1,503,090	5	6 10	...		
1911-12	...	2,309,552	2,309,552	2,309,552	7	16 11	...		
1912-13	...	3,409,218	3,409,218	3,409,218	10	17 6	...		
1913-14	...	2,913,010	2,913,010	2,913,010	9	1 8	...		
1914-15	...	2,521,608	2,521,608	2,521,608	7	15 8	...		
1915-16	...	1,584,642	1,584,642	1,584,642	4	19 3	...		
1916-17	...	855,183	855,183	855,183	2	15 1	690,000	0 0	
1917-18	...	1,054,178	1,054,178	1,054,178	3	8 2	729,871	3 1	
1918-19	...	1,049,736	1,049,736	1,049,736	3	6 8	1,346,594	5 2	
1919-20	...	2,663,320	2,663,320	2,663,320	8	2 8	41,187	9 1	
1920-21	...	2,586,404	2,586,404	2,586,404	7	16 4	...		
1921-22	...	2,454,925	2,454,925	2,454,925	7	6 3	857,688	6 0	
1922-23	...	3,389,299	3,389,299	3,389,299	9	17 3	120,000	0 0	
1923-24	...	3,936,833	3,936,833	3,936,833	11	2 6	160,000	0 0	
1924-25	...	4,099,021	4,099,021	4,099,021	11	5 2	1,791,236	4 8	
1925-26	...	4,078,686	4,078,686	4,078,686	10	19 2	387,617	5 1	
1926-27	...	4,113,054	4,113,054	4,113,054	10	17 2	15,892	12 9	
1927-28	...	4,680,260	4,680,260	4,680,260	11	18 7	...		
1928-29	...	4,372,269	4,338,972	4,338,972	10	15 5	...		
1929-30	...	3,693,052	3,476,405	3,476,405	8	6 10	...		
1930-31	...	1,759,263	1,759,263	1,759,263	4	3 8	...		
1931-32	...	1,380,225	1,108,425	1,108,425	2	12 7	...		
1932-33	...	2,217,982	1,968,707	1,968,707	4	13 0	...		
							6,140,087	5 10	

APPENDIX No. 11.

WESTERN AUSTRALIA.

Statement showing Public Debt, Interest Liability and Debt per head of Population for the Years set out hereunder.

Year.	Debt Outstanding.			Interest Payable.			Debt per head of Population.
	Australia.	Overseas.	Total.	Australia.	Overseas.	Total.	
30th June—	£	£	£	£	£	£	£ s. d.
1900 ...	953,310	10,721,330	11,674,640	...	...	374,618	68 5 2
1905 ...	2,600,520	14,042,253	16,642,773	99,777	474,630	574,407	68 13 10
1910 ...	2,939,000	20,348,453	23,287,453	109,184	650,259	759,443	85 2 8
1915 ...	10,434,969	26,587,653	37,022,622	351,929	935,931	1,287,860	114 12 3
1920 ...	15,340,450	31,481,553	46,822,003	594,433	1,153,159	1,747,592	143 0 2
1921 ...	17,568,414	31,471,253	49,039,667	700,488	1,213,140	1,913,628	148 4 9
1922 ...	18,498,125	36,461,653	54,959,778	868,385	1,287,926	2,156,311	163 14 2
1923 ...	19,035,101	39,450,753	58,485,854	891,246	1,459,906	2,351,152	170 4 3
1924 ...	20,530,102	44,235,680	62,765,782	980,482	1,626,034	2,607,416	177 7 11
1925 ...	21,566,781	42,926,480	64,493,261	1,113,735	1,746,597	2,860,332	177 2 5
1926 ...	21,049,892	48,961,029	70,010,920	1,166,464	1,873,935	3,040,399	188 2 2
1927 ...	22,614,262	47,891,913	70,506,175	1,196,609	1,885,478	3,082,087	186 8 5
1928 ...	24,673,424	51,754,340	76,427,764	1,280,659	1,741,245	3,021,904	194 16 5
1929 ...	23,627,590	45,727,859	69,355,449	1,293,112	1,871,498	3,164,610	170 17 7
1930 ...	25,387,730	45,806,595	71,194,325	1,353,244	1,904,088	3,257,332	170 16 6
1931 ...	28,321,742	48,243,143	76,564,885	1,466,164	1,935,219	3,401,383	182 0 8
1932 ...	31,548,660	48,159,293	79,707,953	1,246,125	2,022,650	3,268,775	189 1 1
1933 ...	35,744,567	47,770,131	83,514,698	1,306,851	1,931,776	3,238,627	197 6 10

APPENDIX No. 12.

WESTERN AUSTRALIA.

Percentage of Interest and Exchange charged to total Revenue Expenditure.

Year.	Total Revenue Expenditure.	Interest.	Exchange.	Total.	Percentage of Interest and Exchange to Revenue Expenditure.
	£	£	£	£	%
1900	2,615,675	374,618	...	374,618	14.32
1905	3,745,225	574,407	...	574,407	15.33
1910	3,447,731	759,444	...	759,444	22.03
1915	5,706,541	1,287,860	...	1,287,860	22.57
1920	6,631,725	1,747,592	...	1,747,592	26.36
1921	7,476,291	1,913,628	...	1,913,628	25.60
1922	7,639,242	2,156,311	...	2,156,311	28.23
1923	7,612,856	2,351,152	...	2,351,152	30.88
1924	8,094,753	2,607,416	...	2,607,416	32.21
1925	8,439,844	2,860,332	...	2,860,332	33.89
1926	8,907,309	3,040,399	...	3,040,399	34.13
1927	9,722,588	3,082,087	...	3,082,087	31.70
1928	9,834,415	3,021,904	...	3,021,904	30.73
1929	10,223,919	3,164,610	...	3,164,610	30.95
1930	10,268,519	3,257,332	5,153	3,262,485	31.77
1931	10,107,295	3,401,383	331,152	3,732,535	36.92
1932	9,593,212	3,268,775	629,058	3,888,833	40.54
1933	9,196,234	3,238,627	566,383	3,805,010	41.38

APPENDIX No. 13.

WESTERN AUSTRALIA.

Expenditure on Social Services.

Year.	Education, Science, and Art.	Relief of Destitution (Child Welfare).	Hospitals, including Hospital for Insane.	Law, Order, and Public Safety.	Abori- gines.	Benevo- lent and Other Grants.	Total.
	£	£	£	£	£	£	£
1900 ...	119,629	23,371	75,539	240,272	10,000	15,780	484,591
1905 ...	214,733	33,041	102,255	266,620	13,831	12,697	643,177
1910 ...	255,451	38,756	125,164	227,694	24,777	7,488	679,330
1915 ...	373,591	81,336	160,276	255,415	10,259	4,953	885,830
1920 ...	462,740	83,285	321,081	288,794	16,134	4,573	1,176,616
1921 ...	547,455	88,281	295,062	306,485	20,423	3,885	1,261,591
1922 ...	600,860	95,562	269,933	297,955	16,737	5,009	1,284,056
1923 ...	614,891	95,626	269,123	283,078	16,108	4,295	1,293,121
1924 ...	633,830	93,522	269,832	301,694	16,624	4,655	1,320,157
1925 ...	637,408	100,496	293,442	309,237	16,899	4,386	1,361,868
1926 ...	648,714	109,220	(a) 305,040	333,896	19,245	4,141	1,420,256
1927 ...	703,702	108,425	302,048	355,155	18,562	3,233	1,491,125
1928 ...	735,548	106,352	302,811	354,414	11,626	3,208	1,513,959
1929 ...	751,343	136,222	317,106	371,070	22,376	3,272	1,601,389
1930 ...	764,267	170,462	324,506	409,055	23,889	3,308	1,695,487
1931 ...	736,461	570,703	243,206	377,554	20,893	3,158	1,951,975
1932 ...	599,822	791,462	164,090	318,188	21,187	2,458	1,897,207
1933 ...	603,812	490,297	166,647	314,856	21,616	2,378	1,599,606
£	10,004,266	3,214,419	4,307,161	5,621,432	321,186	92,877	23,561,341

(a) From 1926 the following additional amounts have been expended on Hospitals from Trust Funds:—

	£
1926	3,000
1927	26,168
1928	41,707
1929	35,590
1930	37,137
1931	92,571
1932	156,579
1933	179,961

APPENDIX No. 14.

WESTERN AUSTRALIA.

Revenue from Taxation for each year since Federation.

Year.	Dividend Duty.	Stamp Duty.	Land Tax.	Income Tax.	Total-Isator Tax.	Probate Duty.	Licenses.	Amusement Tax.	Salary and F.E. Tax.	Hospital Tax.	Motor Tax Cr. to Special Trust Fund.	Total Taxation.	Taxation Revenue per Head of Population.	Motor Tax per Head of Population.
30th June—	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1900	55,015	36,865	...	...	...	...	26,983	...	...	...	...	118,864	0 13 10	...
1901	67,998	42,496	...	...	...	...	29,822	...	...	...	...	140,316	0 15 7	...
1902	85,800	44,433	...	...	...	...	29,635	...	...	...	...	159,958	0 16 6	...
1903	127,507	53,300	...	...	...	...	31,188	...	...	...	...	212,295	0 19 11	...
1904	125,071	55,708	...	...	...	...	32,616	...	...	...	...	213,355	0 18 9	...
1905	123,733	55,064	...	...	...	...	32,354	...	...	...	...	221,788	0 18 3	...
1906	137,485	59,200	...	...	5,580	10,587	42,637	...	...	...	...	260,600	0 10 3	...
1907	116,916	63,634	...	...	7,782	15,707	43,610	...	...	...	...	266,151	1 0 4	...
1908	108,034	59,617	11,140	5,933	7,917	34,309	43,134	...	...	...	...	277,463	1 1 2	...
1909	95,273	58,065	33,120	38,891	7,194	20,132	43,924	...	...	...	...	296,599	1 2 2	...
1910	88,315	62,714	34,344	43,865	7,153	57,416	42,580	...	...	...	...	336,306	1 4 7	...
1911	84,496	79,404	37,871	49,579	7,739	23,124	43,033	...	...	...	...	325,346	1 3 6	...
1912	100,455	70,652	45,105	53,987	9,042	22,976	46,690	...	...	...	...	352,814	1 3 11	...
1913	98,404	70,652	46,519	72,755	11,342	22,976	45,634	...	...	...	...	393,615	1 3 8	...
1914	92,567	77,031	40,201	81,991	12,971	30,962	45,861	...	...	...	...	380,104	1 4 1	...
1915	93,916	64,398	36,433	80,646	12,125	40,156	44,288	...	...	...	...	371,962	1 3 0	...
1916	103,585	64,858	47,711	91,630	12,442	44,584	43,448	...	...	...	...	407,958	1 3 8	...
1917	105,554	67,035	42,431	90,967	14,775	40,963	40,912	...	...	...	...	402,337	1 3 3	...
1918	104,462	80,719	63,388	98,501	18,713	38,710	39,963	...	...	...	...	449,456	1 9 4	...
1919	133,062	112,104	34,182	206,500	42,409	40,325	40,243	...	...	...	...	629,061	2 0 7	...
1920	144,748	175,543	46,415	271,386	43,911	121,951	40,243	...	...	...	...	844,197	2 11 7	...
1921	244,969	177,404	57,791	320,874	57,448	76,817	41,020	...	...	...	...	955,358	2 12 6	...
1922	177,003	164,928	47,501	320,874	57,792	76,817	41,194	...	...	...	...	881,439	2 12 6	...
1923	189,057	179,453	79,983	390,003	54,411	63,997	54,654	...	...	...	...	1,073,568	3 6 4	...
1924	210,895	194,176	71,449	502,265	53,910	66,969	67,904	...	...	...	...	1,224,030	3 7 2	...
1925	237,467	204,108	113,807	478,642	52,905	68,114	68,927	...	...	...	127,679	1,346,729	4 1 7	0 6 9
1926	265,895	231,407	143,830	506,344	54,329	84,635	69,410	...	...	...	169,817	1,381,160	3 10 5	0 8 8
1927	273,613	252,693	147,415	545,327	54,553	66,366	71,176	...	...	...	214,303	1,510,661	3 14 5	0 10 7
1928	323,940	270,756	162,906	523,697	58,770	81,452	73,637	...	...	...	265,059	1,635,098	3 18 5	0 12 9
1929	315,233	298,244	190,301	529,603	57,890	82,469	90,290	...	...	...	314,300	1,767,093	4 4 0	0 14 11
1930	410,615	265,911	219,066	340,501	61,156	73,707	83,737	...	...	...	286,140	1,485,360	3 10 5	0 13 7
1931	277,843	179,170	168,579	246,650	52,505	72,093	63,052	34,360	40,633	...	133,885	1,419,618	3 7 1	0 13 2
1932	178,187	190,508	132,368	200,253	50,109	63,162	59,417	63,169	*3,444	...	278,816	1,549,379	3 13 3	0 12 11
1933	168,614	191,347	130,963	199,010	47,291	91,995	64,262	64,262	292,347	146,043	274,721	2,451,665	...	...
£	5,477,479	4,252,654	2,193,988	5,814,090	935,593	1,548,405	1,677,539	160,015	246,424	344,763	1,930,835	24,581,065	...	...
Estimate 1934)	215,000	195,000	135,000	160,000	50,000	100,000	64,000	63,000	400,000	146,000	275,000	1,803,000	4 5 3	0 13 1

* Salary.

APPENDIX No. 15.

WESTERN AUSTRALIA.

Return in respect of Public Servants, showing :—

- (1) Total Number at 1910, 1915, 1920, and each year thereafter.
 (2) Total Annual Cost per head of population.
 (3) Average Annual Salary.

Year.				Number of Public Servants.	Total Annual Cost.	Cost per head of Population.	Average Annual Salary.	
					£	£ s. d.	£	s. d.
1910	...	...	...	3,569	610,139	2 4 1	170	19 1
1915	...	...	...	4,775	859,091	2 14 0	179	18 3
1920	...	...	...	5,162	1,058,117	3 3 11	204	19 7
1921	...	...	...	5,083	1,211,999	3 12 2	238	8 10
1922	...	...	...	5,077	1,248,368	3 12 8	245	17 9
1923	...	...	...	5,332	1,266,317	3 11 7	237	9 10
1924	...	...	...	5,425	1,325,598	3 12 9	244	7 0
1925	...	...	...	5,525	1,378,584	3 14 1	249	10 4
1926	...	...	...	5,636	1,415,238	3 14 8	251	2 1
1927	...	...	...	5,716	1,543,577	3 18 8	270	0 10
1928	...	...	...	5,885	1,616,179	3 19 7	274	12 6
1929	...	...	...	6,031	1,673,571	4 0 3	277	9 10
1930	...	...	...	6,047	1,701,658	4 0 10	281	8 1
1931	...	...	...	5,707	1,560,723	3 14 0	273	9 6
1932	...	...	...	5,260	1,321,840	3 2 5	251	6 0 (a)
1933	...	...	...	5,315	1,330,147	3 2 10	250	5 3 (a)

(a) Subject to reductions under Financial Emergency Act.

APPENDIX No. 16.

WESTERN AUSTRALIA.

EXPENDITURE FROM REVENUE ON PUBLIC WORKS,
EACH YEAR SINCE FEDERATION.

Year.							Amount. £
1900	...	...	...	...	...	...	219,465
1901	...	...	...	...	...	...	324,123
1902	...	...	...	...	...	...	273,522
1903	...	...	...	...	...	...	428,051
1904	...	...	...	...	...	...	518,109
1905	...	...	...	...	...	...	337,927
1906	...	...	...	...	...	...	238,151
1907	...	...	...	...	...	...	192,977
1908	...	...	...	...	...	...	178,776
1909	...	...	...	...	...	...	151,728
1910	...	...	...	...	...	...	124,820
1911	...	...	...	...	...	...	161,467
1912	...	...	...	...	...	...	206,165
1913	...	...	...	...	...	...	258,448
1914	...	...	...	...	...	...	297,411
1915	...	...	...	...	...	...	132,780
1916	...	...	...	...	...	...	86,505
1917	...	...	...	...	...	...	107,161
1918	...	...	...	...	...	...	98,702
1919	...	...	...	...	...	...	104,615
1920	...	...	...	...	...	...	116,488
1921	...	...	...	...	...	...	123,988
1922	...	...	...	...	...	...	93,587
1923	...	...	...	...	...	...	76,042
1924	...	...	...	...	...	...	87,220
1925	...	...	...	...	...	...	89,538
1926	...	...	...	...	...	...	82,688
1927	...	...	...	...	...	...	88,971
1928	...	...	...	...	...	...	89,668
1929	...	...	...	...	...	...	97,712
1930	...	...	...	...	...	...	111,536
1931	...	...	...	...	...	...	48,648
1932	...	...	...	...	...	...	20,330
1933	...	...	...	...	...	...	19,150

APPENDIX No. 17.

BALANCE SHEET OF THE COMMONWEALTH BANK OF AUSTRALIA AT 30TH JUNE, 1933.

	£	s.	d.		£	s.	d.
Capital Account	4,000,000	0	0	LIABILITIES.			
Reserve Fund	1,503,821	13	1	Coin, Bullion and Cash Balances	944,111	10	10
RURAL CREDITS DEPARTMENT—				Australian Notes	6,325,403	10	0
Capital Account	2,000,000	0	0	Money at Short Call in London	12,913,049	8	7
Reserve Fund	185,481	1	5	Funds held temporarily in London on account of Conversion Loan	5,602,013	5	9
Development Fund	68,808	14	9	Short Term Loans in Australia	12,840,611	12	10
Deposits—Accrued Interest and Rebate	74,313,909	2	2	Investments—			
Bills Payable and other Liabilities	3,713,976	14	4	British, Colonial and Government Securities	9,574,200	0	0
Contingent Liabilities—				Commonwealth Government Securities	26,626,602	6	7
Outstanding Credits per Contra	85,875,997	5	9	Bills Receivable in London and Remittances in Transit	1,892,531	17	5
Total General Bank and Rural Credits Department	620,764	3	0	Bills Discounted, Loans and Advances to Customers and other Assets	7,978,708	9	10
Note Issue Department	80,496,761	8	9	Bank Premises	1,178,765	3	11
	51,488,331	3	6	Liabilities of Customers and others on Letters of Credit per Contra	85,875,997	5	9
				Total General Bank and Rural Credits Department	620,764	3	0
				Note Issue Department	80,496,761	8	9
					51,488,331	3	6
					£137,985,092	12	3

Dr.

PROFIT AND LOSS FOR HALF-YEAR ENDED 30TH JUNE, 1933.

Cr.

	£	s.	d.		£	s.	d.
GENERAL BANKING DEPARTMENT—				By Profits for half-year ended 30th June, 1933:—			
To Reserve Fund	97,809	3	7	Banking Business	193,798	7	2
" National Debt Sinking Fund	97,809	3	7	Rural Credits Department	23,432	16	2
RURAL CREDITS DEPARTMENT—				Note Issue Department	495,335	14	4
To Reserve Fund	12,216	8	1				
" Development Fund	12,216	8	1				
NOTE ISSUE DEPARTMENT—							
To Commonwealth Treasury	495,335	14	4				
	£715,566	17	8				

APPENDIX No. 17—continued.

BALANCE SHEET OF THE COMMONWEALTH BANK OF AUSTRALIA—continued.

Dr.	RESERVE FUND.			Cr.		
	£	s.	d.	£	s.	d.
To Balance	1,503,821	13	1	By Balance	1,495,922	9 6
				" Transfer from Profit and Loss Account of one-half of the Net Profits of Banking Business	97,899	3 7
	£1,503,821	13	1		£1,593,821	13 1

We certify that the above Balance Sheet, compiled from Statements furnished by the several Offices of the Bank, is true and correct.

A. H. LEWIS, Secretary
G. F. DICKINSON, Chief Accountant.

For and on behalf of the Board,

E. C. RIDDLE, GOVERNOR.

SYDNEY, 21st August, 1933.

AUDITOR GENERAL'S REPORT.

In accordance with the provisions of Section 20 of the Commonwealth Bank Act, 1911-32, I have to report that the Balance Sheet of the Commonwealth Bank of Australia for the half-year ended 30th June, 1933, has been examined by officers under my direction as well as by myself. The several items of account, as above set forth, have been verified with the books and vouchers, with the securities held by the Bank, and with Statements certified by the respective Managers and Accountants of the Bank.

I have obtained all the information and explanations required by me. The said Balance Sheet has been prepared in the form prescribed by the Regulations under the Act, and, in my opinion, it exhibits a correct view of the affairs of the Bank.

11th September, 1933.

C. J. CERUTTY,

Auditor-General for the Commonwealth.

APPENDIX No. 17—continued.

COMMONWEALTH BANK OF AUSTRALIA—NOTE ISSUE DEPARTMENT AT 30th JUNE, 1933.

LIABILITIES.				ASSETS			
		£	s. d.			£	s. d.
Notes in Circulation	Gold and English Sterling	...	11,506,949	7 3
Reserve for Notes not Presented	Money at Short Call in London	...	9,000,000	0 0
Special Reserve—Premium on Gold Sold	Debentures and other Securities	...	24,022,986	14 3
Other Liabilities	Other Assets	...	6,958,395	2 0
						£51,488,331	3 6

Certified Correct.

BERTRAND LATHAM, Secretary, Note Issue Department.
G. F. DICKINSON, Chief Accountant.

For and on behalf of the Board,

E. C. RIDDLE, GOVERNOR.
SYDNEY. 21st August, 1933.

AUDITOR-GENERAL'S REPORT.

The above Statement of the Liabilities and Assets of the Note Issue Department of the Commonwealth Bank of Australia as at 30th June, 1933, has been verified by officers acting under my direction. The Statement agrees with the Books kept and the Vouchers held by the Board. The Gold, English Sterling and the Securities have been inspected, and the other assets, as well as the Liabilities, have been verified with the necessary vouchers and documents.

The Statement has been prepared in the form prescribed by the Regulations under the Act, and I am of opinion that the particulars of the Statement as above set forth are correct.

11th September, 1933.

C. J. CERUTTY,
Auditor-General for the Commonwealth.

BALANCE SHEET OF THE COMMONWEALTH SAVINGS BANK OF AUSTRALIA AT 30TH JUNE, 1933.

LIABILITIES.			ASSETS.		
£	s.	d.	£	s.	d.
Reserve Fund ...	1,793,639	19 1	Coin and Cash Balances ...	...	4,567,356 10 10
Depositors' Balances ...	117,943	481 0 5	Australian Notes ...	...	128,212 0 0
Contingency Account and other Liabilities ...	4,184,751	14 3	Government Securities ...	...	81,513,994 0 11
			Securities of Municipalities and other Public Authorities ...	...	31,092,878 2 6
			Other Assets ...	...	5,100,367 8 1
			Bank Premises ...	...	1,519,034 11 5
					£193,921,872 13 9

PROFIT AND LOSS FOR HALF-YEAR ENDED 30TH JUNE, 1933.

Dr.	PROFIT AND LOSS FOR HALF-YEAR ENDED 30TH JUNE, 1933.				Cr.					
		£	s.	d.						
To National Debt Sinking Fund	...	72,758	4	10	By Profit for half-year ended 30th June, 1933	...	...	145,516	9	8
" Savings Bank Reserve Fund	...	72,758	4	10						
								145,516	9	8

RESERVE FUND.

Dr.			RESERVE FUND.			Cr.		
	£	s. d.		£	s. d.		£	s. d.
To Balance	1,793,639	19 1	By Balance...	...	1,720,881 14 3
						" Transfer from Profit and Loss Account of one-half of the Net Profits	...	72,758 4 10
								<u>£1,793,639 19 1</u>

We certify that the above Balance Sheet, compiled from Statements furnished by the several Offices of the Bank, is true and correct.
A. H. LEWIS, Secretary.
G. F. DICKINSON, Chief Accountant.

For and on behalf of the Board,
E. C. RIDDLE, GOVERNOR.
SYDNEY, 21st August, 1933.

AUDITOR-GENERAL'S REPORT.

In accordance with the provisions of Section 20 of the Commonwealth Bank Act, 1911-32, I have to report that the Balance Sheet of the Commonwealth Savings Bank of Australia for the half-year ended 30th June, 1933, has been examined by officers under my direction as well as by myself. The several items of the account, as above set forth, have been verified with the books and vouchers, with the Securities held by the Bank, and with Statements certified by the respective Managers and Accountants of the Bank.

I have obtained all the information and explanations required by me. The said Balance Sheet has been prepared in the form prescribed by the Regulations under the Act, and, in my opinion, it exhibits a correct view of the affairs of the Bank.

C. J. CERUTTY,
Auditor-General for the Commonwealth.

11th September, 1933.

APPENDIX No. 18.

(Extract from Commonwealth Year Book, No. 25, 1932 (p. 350).)

STATEMENT OF LONDON EXCHANGE RATES.

RATES OF EXCHANGE.—(i) *Australia on London.* The following statement, which has been prepared from data very kindly supplied by the General Manager of the Bank of New South Wales, Sydney, gives particulars of the various rates of exchange, Australia on London, in operation since 16th October, 1913. The details given show the value in Australia of £100 in London according to the rates quoted by the Associated Banks for buying and selling £100 in London on telegraphic transfer. Prior to 30th October, 1920, when "T.T." buying rates were not quoted, the rate was determined approximately by applying the difference between the buying and selling rates for "On Demand" drafts to the quoted "T.T." selling rate.

EXCHANGE RATES.—AUSTRALIA ON LONDON, TELEGRAPHIC TRANSFER, 1913 TO 1932.

Date on which Rate began to Operate.	Exchange.				Commission for £100 (Sterling).
	London.	Australia (Mean of Buying and Selling Rates).			
	£ sterling.	£	£	s. d.	s. d.
16th October, 1913	100	100 plus	0	6 3	8 9
19th August, 1914	"	0	10 0	15 0
29th September, 1914	"	0	15 0	15 0
24th October, 1914	"	1	0 0	15 0
12th May, 1915	"	0	17 6	15 0
30th September, 1915	"	1	0 0	12 6
23rd February, 1916	"	1	5 0	12 6
15th November, 1916	"	0	18 9	13 9
29th May, 1917	"	0	12 6	15 0
3rd October, 1917	"	0	7 6	15 0
12th January, 1920	"	0	2 6	15 0
8th October, 1920	"	0	15 0	15 0
14th October, 1920	"	0	13 9	16 3
30th October, 1920	"	1	5 0	15 0
10th December, 1920	"	1	15 0	15 0
23rd December, 1921	"	1	10 0	15 0
17th February, 1922	"	1	2 6	12 6
6th April, 1922	"	0	15 0	15 0
15th May, 1922	"	0	10 0	15 0
14th July, 1922	"	0	2 6	15 0
8th September, 1922	100 less	0	3 9	13 9
10th October, 1922	"	0	7 6	12 6
7th November, 1922	"	0	10 0	15 0
14th January, 1924	"	1	0 0	10 0
22nd February, 1924	"	1	5 0	10 0
10th March, 1924	"	1	10 0	10 0
8th May, 1924	"	2	0 0	10 0
5th September, 1924	"	2	5 0	10 0
29th September, 1924	"	2	10 0	10 0
15th October, 1924	"	3	0 0	10 0
6th May, 1925	"	0	12 6	2 6
10th June, 1925	"	0	2 6	2 6
9th June, 1926	"	0	1 3	3 9
20th April, 1927	100 plus	0	6 3	3 9
27th June, 1927	"	0	8 9	3 9

APPENDIX No. 18.—*continued.*EXCHANGE RATES.—AUSTRALIA ON LONDON, TELEGRAPHIC TRANSFER,
1913 TO 1932—*continued.*

Date on which Rate began to Operate.	Exchange.				Commission for £100 (Sterling).
	London.	Australia (Mean of Buying and Selling Rates).			
		£ sterling.	£	£ s. d.	
8th July, 1927	100	100 plus	0 11 3	3 9	
19th March, 1928	"	0 15 0	5 0	
22nd July, 1929	"	1 0 0	5 0	
3rd September, 1929	"	1 5 0	5 0	
10th October, 1929	"	1 10 0	5 0	
18th December, 1929	"	1 17 6	5 0	
28th January, 1930	"	2 6 3	6 3	
17th February, 1930	"	2 16 3	6 3	
10th March, 1930	"	3 16 3	6 3	
24th March, 1930	"	6 6 3	3 9	
9th October, 1930	"	8 15 0	5 0	
6th January, 1931	"	15 6 3	3 9	
13th January, 1931	"	18 3 9	3 9	
17th January, 1931	"	25 5 0	5 0	
29th January, 1931	"	10 5 0	5 0	
18th March, 1932	"	15 5 0	5 0	

The "Commission" which represents the banks' "turn" on each £100 sterling exchanged has been computed by taking half the difference between the buying and selling rates.

APPENDIX No. 18.—*continued.*

CLEARING HOUSE RETURNS.—Particulars of the aggregate bank clearings for each capital city, as furnished by the Associated Banks, Melbourne, are given in the following table. Since October, 1929, transactions connected with the issue and redemption of Treasury Bills have resulted in largely inflated clearings. These transactions are of an abnormal character, and for the years 1929 to 1931 are shown separately. A weekly average of bank clearings is compiled from information supplied by the Commonwealth Bank, Sydney, and published in the Quarterly Summary of Australian Statistics.

CLEARING HOUSE RETURNS.—VALUE OF BILLS, CHEQUES, ETC., 1870 TO 1931.

Year.	Sydney.	Melbourne.	Brisbane.	Adelaide.	Perth.	Hobart.
	£'000.	£'000.	£'000.	£'000.	£'000.	£'000.
1870 ... ..	...	68,221	...	...	...	...
1880 ... ..	...	103,353	...	...	...	...
1890 ... ..	...	315,190	...	...	...	...
1895	108,509	130,787	...	...	...	...
1900	144,080	159,949	...	...	...	...
1905	189,826	187,632	32,255	...	...	...
1910	274,344	261,383	61,060	...	...	...
1915	357,803	299,295	96,291	60,950	...	...
1920	764,546	725,006	160,539	166,011	80,758	...
1925	909,114	803,083	192,968	171,092	101,085	25,557
1926	954,253	790,111	195,710	178,898	103,523	25,691
1927	1,034,894	825,676	192,274	186,752	111,454	26,805
1928	1,033,511	762,851	196,566	164,166	112,503	28,226
1929—						
Ordinary Transactions ... ..	...	812,105	...	...	...	...
Treasury Bills Transactions ... ..	...	2,566	...	...	...	...
Total	1,043,320	814,671	196,253	156,686	114,587	27,365
1930—						
Ordinary Transactions	872,390	697,641	...	...	...	...
Treasury Bills Transactions	20,771	28,274	...	...	...	...
Total	893,161	725,915	167,999	125,684	89,034	23,092
1931—						
Ordinary Transactions	683,176	566,865	...	...	...	...
Treasury Bills Transactions	151,512	85,999	...	...	...	...
Total	834,688	652,864	144,814	96,867	71,356	18,057

APPENDIX No. 19.
THE AGRICULTURAL BANK OF WESTERN AUSTRALIA.
BALANCE SHEET AS AT 30TH JUNE, 1933.

LIABILITIES.			ASSETS.			Total.		
	£	s. d.		£	s. d.	£	s. d.	
Loan Fund Capital as at 30th June, 1932	6,316,365	17 3	Sundry Borrowers—					
General Loan Fund Drawings during the year	303,257	1 0	Ordinary Department					
			Agriculture generally	5,305,565	12 6	960,837	2 10	6,266,402 15 4
Capital Expenditure from Monies appropriated for purposes of the Discharged Soldiers' Settlement Act, 1919, etc.			Butter and Bacon Factories	26,050	1 7	15,485	15 1	41,535 19 8
General Loan Fund as at 30th June, 1932	5,506,798	12 10	Group Settlement (Section 8),	212,998	14 0	16,099	9 6	229,098 3 6
Drawings for year	403	0 1	Discharged Soldier Settlement	5,344,614	8 1	592,422	10 5	6,537,036 15 6
				4,374,063	15 6	734,570	12 1	5,128,634 7 7
Less Accumulated Repayments	5,597,201	12 11		9,918,678	3 7	1,746,993	2 6	11,665,671 6 1
	1,210,699	15 6						
Commonwealth Bank of Australia—			Sundry Debtors—Mortgage Fees					403 6 5
4½% Debentures	500,000	0 0	Rent of Cottages—Accrued and not paid					6 13 6
Less Applied Sinking Fund	7,689	0 0	Sinking Fund Investment					132,017 13 8
			Remittances in transit from District Offices					4,734 18 9
Lands Department—Recomp to (including Interest)			District Office Premises—At Cost—					
Drafts on Head Office			Brice Rock			2,450	16 1	
Outstanding Cash Orders			Kununoppin			2,049	12 0	
Outstanding Expenses			Salmon Gums			1,284	14 6	
Commissioner of Taxation			Busselton			1,995	7 8	
Sundry Applicants—Mortgage Fees								
Suspense Account—Surplus on Realisation of Securities awaiting determination of Claimant			Less Depreciation Reserve			7,780	10 3	
Receipts in Suspense						906	5 7	
Reserve—								6,784 4 8
Shaking Fund for Redemption of Capital, appropriated from Profits and Accruals at 4½% per annum	93,168	8 1	District Office Cottages at cost, subject to Depreciation and Maintenance as per Contract					5,764 5 11
Contribution by Commonwealth, and Accruals at 4½% per annum	38,849	5 7	Interest due by Treasurer on account butter factories					35 5 2
			State Treasurer			94,087	8 0	
			Less Overdraft at Commonwealth Bank			75,000	0 0	
Depreciation—Maintenance of District Office Cottages			Fund Provision for Melbourne Agency					19,687 8 0
General Reserve			Profit and Loss Account					500 0 0
								117,424 11 8
Total Agricultural Bank and Soldier Settlement	11,972,719	13 10	Total Agricultural Bank and Soldier Settlement					11,972,719 13 10
Total Special Undertakings	2,577,183	0 9	Total Special Undertakings					2,577,183 0 9
								£14,549,902 14 7

R. G. COURTENAY, A.I.C.A.,
 Chief Accountant.

Authorised Capital—Mortgage Bonds :—£5,500,000 0s. 0d.
 Present Bank Capital provided from Loan Fund.

E. A. McLARTY, Managing Trustee,
 C. J. MORAN
 H. K. MALEY } Trustees.

23rd August, 1933.

APPENDIX No. 19—continued.
THE AGRICULTURAL BANK OF WESTERN AUSTRALIA.
PROFIT AND LOSS ACCOUNT FOR TWELVE MONTHS ENDED 30TH JUNE, 1923.

Dr.				Cr.
	£	s.	d.	
To Interest on Capital—				
Ordinary Department ...	302,627	17	6	
Soldiers' Settlement ...	179,675	4	11	
Interest on Commonwealth Bank Advances ...	31,669	18	0	
	514,213	0	5	
By Accrued Interest—				
Ordinary Department.				
Agriculture generally ...	275,097	7	11	
Butter and Bacon Factories... (Group Settlement (Section 8))	1,370	11	2	
	10,930	2	7	
Discharged Soldier Settlement ...	288,208	1	8	
	207,419	2	1	
	495,717	3	9	
Less Reserve loss of Interest on abandoned holdings, etc. ...				
				64,156 8 9
By Balance carried down—Deficiency of Interest to Interest on Capital ...				504,017 1 3
				10,195 19 2
	£514,213	0	5	£514,213 0 5
To Balance brought down ...	10,195	19	2	
Administration Expenses—				
Salaries ...	69,603	19	7	
Incidentals ...	9,603	12	9	
Workers' Compensation ...	222	10	7	
	79,432	2	11	
Less Rebate—Group Settlement Scheme ...	21,861	10	9	
	57,570	12	2	
	£57,570	12	2	
To Balance brought down ...	57,570	12	2	
Losses on Realisation—				
Ordinary Department ...				
Group Settlement (Sec. 8) ...	18,546	14	3	
Soldier Settlement ...	269	10	2	
	24,635	3	10	
Losses on Cancellation of Borrowers' Debts—				
Ordinary Department ...	27	19	9	
Soldiers' Settlement ...	3,416	5	11	
	3,444	5	8	
	£57,766	11	4	£57,766 11 4
To Balance brought down ...	62,015	19	0	
Ordinary Department ...				
Group Settlement (Sec. 8) ...	18,546	14	3	
Soldier Settlement ...	269	10	2	
	24,635	3	10	
Losses on Cancellation of Borrowers' Debts—				
Ordinary Department ...	27	19	9	
Soldiers' Settlement ...	3,416	5	11	
	3,444	5	8	
	£62,015	19	0	£62,015 19 0
By Advertising Commissions ...				
Super Commission ...				20 9 11
Insurance Commissions ...				104 17 6
Application Fees... Office Fees ...				1,508 9 3
Rent of Cottages ...				238 11 9
Surplus Exchange ...				142 16 6
Sundry Receipts ...				389 15 3
Balance carried down ...				62 11 10
				3,268 0 4
				62,015 19 0
	£67,766	11	4	£67,766 11 4
By Balance carried down—Nett Loss for the year ...				109,524 15 2

Reserve for Depreciation and Maintenance—					
District Office Cottages	...	...	...	363 5 6	
District Office Premises	...	...	...	249 16 0	
					613 2 3
					<u>£109,524 15 2</u>
Nett Loss brought down ...	...	...	...	...
Provision for Sinking Fund	...	...	...	32,983 14 10	
Less Commonwealth Contribution	...	13,611 13 4			
Less Interest on Accumulation ...	5,320 16 9				
				16,662 10 1	
					<u>16,051 4 9</u>
					<u>£125,575 19 11</u>
Balance brought forward 1st July, 1933 ...	...				<u>£117,724 11 8</u>

APPENDIX NO. 19—*continued*.
THE AGRICULTURAL BANK OF WESTERN AUSTRALIA.
SPECIAL UNDERTAKINGS.

BALANCE SHEET AS AT 30TH JUNE, 1933.

[illegible]

APPENDIX No. 20.

WESTERN AUSTRALIA.

AVERAGES FROM 1923 OF THE WEEKLY STATEMENTS OF LIABILITIES AND ASSETS OF THE CHEQUE-PAYING BANKS (FORMERLY BANKS OF ISSUE) OPERATING IN WESTERN AUSTRALIA.

Weekly average clearance, Perth Banks, during the quarter ended December, 1933, was £1,712,936 as compared with £1,420,047 during December, Quarter of 1932.

Period.	No. of Banks.	Liabilities.					Total Average Liabilities.		
		Notes in Circulation.	Bills in Circulation.	Balances due to other Banks.	Deposits.			Total.	
					Not bearing Interest.	Bearing Interest.			
1923	11	£ 25,651	£ 200,889	£ 259,443	£ 5,803,305	£ 6,871,113	£ 12,674,418	£ 13,160,401	
1928	10	25,240	198,547	1,229,824	6,721,808	7,953,497	14,675,303	16,128,914	
1929	10	25,233	229,001	1,227,860	6,530,912	6,854,845	13,385,757	14,368,571	
1930	10	25,200	188,365	1,013,675	5,212,098	6,980,652	12,222,650	13,440,890	
1931	10	25,183	152,164	1,711,250	5,274,373	7,747,107	13,022,080	14,910,677	
1932	8†	24,017	136,556	1,528,521	6,318,066	8,881,736	14,609,802	16,388,596	
1933, First Quarter	8	23,005	140,597	1,501,929	6,111,758	9,429,463	15,541,161	17,207,392	
1933, Second Quarter	8	23,005	136,448	1,423,115	5,790,053	9,748,848	15,538,901	17,125,769	
1933, Third Quarter	8	22,906	123,167	1,444,324	5,222,614	9,815,991	15,038,605	16,629,002	
1933, Fourth Quarter	8	22,904	161,443	1,398,502	5,897,362	10,036,640	15,934,002	17,516,859	
Period.	Assets.					Total Average Assets.			
	Gold, Silver, and other Metals.	Gold and Silver in Bullion and Bars.	Government, Municipal, and Public Securities. (b)	Landed Property and Bank Premises.	Australian Notes.*		Notes and Bills of other Banks.	Balances due from other Banks.	Notes and bills discounted and other Debts.
1923	£ 1,481,347	£ 156,631	£ 923,298	£ 322,241	£ 1,765,824	£ 189,666	£ 630,824	£ 11,397,913	£ 16,870,654
1928	1,465,906	119,271	1,124,084	452,077	2,581,306	159,052	126,121	15,754,295	21,785,112
1929	1,081,072	108,217	815,045	525,340	2,021,457	121,387	110,429	13,352,658	24,165,605
1930	429,486	121,483	2,118,978	626,428	2,440,610	91,077	84,302	21,000,396	26,912,760
1931	206,897	164,646	2,180,752	686,933	3,266,683	71,506	110,712	20,466,998	27,455,127
1932	201,763	173,712	2,928,768	727,389	3,267,797	65,080	104,726	19,030,009	25,839,844
1933, 1st Quarter	186,357	178,093	2,255,114	755,525	3,075,886	78,271	81,392	19,040,253	25,600,861
1933, 2nd Quarter	227,667	206,369	3,320,190	709,450	2,923,407	67,382	27,382	19,163,662	26,685,630
1933, 3rd Quarter	222,212	210,852	3,305,757	703,134	2,940,388	60,992	29,476	19,470,582	27,003,543
1933, 4th Quarter	223,354	215,041	3,305,248	745,570	2,761,731	69,031	24,538	19,673,788	27,010,261

* From 1927 including cash with Commonwealth Bank.

† The Australian Bank of Commerce, Limited, was amalgamated with the Bank of New South Wales on the 24th December, 1931, and the Primary Producers' Bank of Australia, Ltd., went into liquidation on the 28th September, 1931. b Includes Short Term Loans for the year 1930, £90,077 ; 1931, £865,154 ; 1932, £818,256 for the First Quarter, 1933, £667,715 ; Second Quarter, £578,954 ; Third Quarter, £564,512 and fourth Quarter £564,003.

CHAPTER 7.—THE EFFECT OF FEDERATION UPON THE FINANCES OF WESTERN AUSTRALIA.

265. The financial disabilities suffered by Western Australia largely in common with the other States of the Commonwealth have been set forth in Chapter 5 of this Case. The financial position of Western Australia from 1880 to 1933 is set out in a table contained in Appendix No. 21 at the end of this chapter. In that table it is shown that the concession which the State made when it joined the Commonwealth, viz., the right to impose Customs duties, was its most valuable revenue producer. On the other hand the liability assumed by the Commonwealth was not in proportion to the revenue rights which the State surrendered.

266. The table shows the change which has come over the sources of the State's revenue. It will be noticed that receipts from the Commonwealth have declined from 1905, when they represented 28.4 per cent of the total revenue, to 1933, when they accounted for only 11.7 per cent. Income tax has increased from 3.4 per cent. in 1905 to 6.5 per cent. in 1933. 1933 is, of course, an unusual year, due to the depression. The revenue from income tax was much smaller than usual, and in that year the State enjoyed an increased Commonwealth grant. If the year 1925 is taken it will be found that income tax represents 8.5 per cent. of the revenue, whereas the receipts from the Commonwealth represent only 7 per cent. In the last financial year Commonwealth contributions other than special grants represented only 5 per cent. of the State revenue.

267. When attention is turned to the expenditure of which the State was relieved when Federation was established, it is found that in the year 1900 the cost of Defence Department, Customs Department, Postmaster General's Department, and the Harbour and Lights Department, accounted for only 10.5 per cent. of the revenue of the State. ⁽¹⁾ It was very

(1) Although the lighthouse service was not taken over by the Commonwealth until some years after Federation, and though the expenditure on harbours and lights includes expenditure on harbours which is still undertaken by the State, for the sake of a comparison of the revenue which the State surrendered and the expenditure which is saved, the whole of the cost of the harbours and lights has been taken into account.

apparent that the State of Western Australia surrendered a very valuable right in giving up its Customs duties, and was relieved of a much smaller burden of expenditure.

268. The financial records since 1901 show that the revenue available to this State from the Commonwealth has become a smaller and smaller proportion of the total revenue of the State, and the Treasury has been forced to enter the field of direct taxation in order to provide funds to enable the functions of government to be undertaken. In addition, the charge for certain services has had to be made unduly high. Where the expenditure of the Commonwealth has increased, such increase has not adequately relieved the State of expenditure, for many of the services undertaken by the Commonwealth are duplications of services which the State must continue to carry on.

269. When it is remembered that the Commonwealth has very extensively invaded the field of direct taxation and that the Commonwealth has priority of collection over the States, leaving only the balance to the State Treasurers out of which to finance all the social services such as education, police, health, etc., the increasing difficulty of those States, which have been prejudicially affected by the fiscal policy of the Commonwealth, can be readily appreciated. The effect of Federation on the State of Western Australia's finances has, therefore, been to impose an ever-increasing burden on the taxpayers of Western Australia to maintain the Government services despite the fact that increasingly severe economy has had to be exercised from year to year.

270. At the time of Federation Western Australia had a small population and a large undeveloped territory. Its revenue was sufficient to meet its needs, and to provide a surplus from year to year. So buoyant was the revenue that the State was able to meet out of revenue the cost of many public works which subsequently had to be met out of loan, *e.g.*, in the year 1895-96 out of a total expenditure of £1,823,863, the State provided £140,000 for the erection of public buildings. Two years later, out of an expenditure of £3,256,912, of which £852,647 represented the expenditure on railways, the State was able to pay for the erection of public buildings no less than £362,000. It resumed land for a national park costing £15,000, and made provision for improvements to the Bunbury Harbour costing

£100,000. In the year 1898-99, out of an expenditure of £2,539,000, of which the railways accounted for £749,000, the State was able to subsidise municipalities to the extent of £45,000, and also to meet the cost of the erection of many of the Government buildings which to-day house the State Government Departments.

271. When the conditions of these earlier years are contrasted with the conditions obtaining in the years after Federation, when every endeavour had to be made to save revenue, the real effect of Federation is made apparent.

272. While it is admitted that in the years just prior to Federation Western Australia was relying for its national income very largely on the wealth won from gold mining, it is quite clear that in the years before Federation, Western Australia was able to finance itself very comfortably on the customs duties without placing undue hardship on its inhabitants; was able to find revenue without recourse to direct taxation; was able to meet, out of its revenue, expenditure which in ordinary circumstances could be legitimately charged against loan; and was able to complete its financial year with a surplus. Since Federation the State has lost its most valuable right to impose customs duties; it has handed this right to the Commonwealth; it has received from the Commonwealth each year a smaller and smaller proportion of its revenue; and has been forced to incur loan expenditure to assist in the development of its primary production, thereby increasing each year the charge against revenue for interest. The summary of finances shows that the interest on the public debt has increased from 1880, when it was 9.7 per cent. of the total revenue, and from 1900, when it was 13 per cent. of the total revenue, to 1933, when it accounted for 45.7 per cent. of the total revenue.

273. The table shows that the financial position of Western Australia has become progressively worse since Federation; only in five years have revenue surpluses been achieved. The only other State which approaches Western Australia in this unfortunate record is South Australia. The other States, with the exception of Tasmania, have had more surpluses than deficits.

274. The following table shows the extent to which the net annual revenue deficits in the post war era of Western Aus-

tralia are related to the annual charges for interest, sinking fund, and, in recent years, exchange payments:—

Year.	Total Interest, Sinking Fund and Exchange.	Interest Earned.	Percentage of Interest and Sinking Fund paid and represented by Interest Earned.	Sinking Fund and Interest Deficiency.	Net Revenue Deficit.
	£	£	%	£	£
1918-19 ...	1,972,802	845,812	42·8	1,126,990	652,015
1919-20 ...	2,062,035	1,015,342	49·2	1,046,693	668,224
1920-21 ...	2,229,282	1,174,055	52·7	1,055,227	686,726
1921-22 ...	2,437,371	1,473,032	60·4	964,339	732,135
1922-23 ...	2,575,069	1,816,669	70·5	758,400	405,364
1923-24 ...	2,833,977	2,158,206	76·2	675,771	229,157
1924-25 ...	3,096,564	2,649,683	85·6	446,881	58,398
1925-26 ...	3,298,229	2,248,214	68·2	1,050,015	99,143
1926-27 ...	3,295,038	2,735,188	83·0	559,850	*28,245
1927-28 ...	3,178,984	2,789,013	87·7	389,971	26,467
1928-29 ...	3,335,710	2,603,107	78·0	732,603	275,968
1929-30 ...	3,450,457	2,388,167	69·21	1,062,290	518,004
1930-31 ...	3,952,753	2,502,387	63·30	1,450,366	1,420,539
1931-32 ...	4,127,437	2,602,473	63·05	1,524,964	1,557,896
1932-33 ...	4,071,371	2,656,487	65·24	1,414,884	864,081

* Surplus.

275. It is submitted that the deficits of the State are not due to extravagance in the public administration, or to an inadequate scale of taxation. The latter may be regarded as more than equal to the costs in respect to social services.

276. Interest charges arising from the providing of capital works in advance of population, and in accordance with the pursuit of national objectives, have accounted for the major portion of the State deficits.

277. The State claims that the works and services made available by expenditure from loan were essential to the development and settlement of its territory. The assets are an integral part of the assets of the Commonwealth, and contribute to its capacity to attract and settle population.

The manner in which the Financial Agreement and Section 105A of the Constitution have deprived the State of control over financial negotiations in respect of State finances has been explained in Chapter 5 of this Case.

APPENDIX No. 21.

SUMMARY OF FINANCES OF WESTERN AUSTRALIA, 1880 TO 1933.

Year.	Customs and Ex- cise.	Percentage of Revenue.	Income Tax.	Percentage of Revenue.	Other Taxation.	Percentage of Revenue.	Receipts from Commonwealth.	Percentage of Revenue.	Total Revenue.	Interest paid on Public Debt.	Percentage of Revenue.
1880	95,511	53.0	...	...	1,983	1.1	...	...	180,050	17,400	9.7
1885	134,842	41.7	...	...	11,626	3.6	...	...	323,213	44,060	13.6
1890	182,546	44.1	...	...	15,688	3.8	...	...	414,314	57,614	13.9
1895	513,508	45.6	...	...	34,645	3.1	...	...	1,125,941	139,815	12.4
1900	933,717	32.4	55,015	1.9	63,849	2.2	...	...	2,875,396	374,618	13.0
1905	...	...	123,733	3.4	98,006	2.7	1,027,898	23.4	3,615,340	574,407	15.6
1910	...	...	132,180	3.6	204,215	5.6	703,723	19.2	3,657,670	759,443	20.8
1915	...	...	174,561	3.4	197,400	3.8	631,287	12.3	5,140,725	1,343,603	26.1
1920	...	...	416,134	7.1	428,063	7.3	598,273	10.2	5,863,501	1,858,875	31.7
1925	...	...	716,109	8.5	507,921	6.1	588,134	7.0	8,381,446	2,860,332	34.1
1930	...	...	751,116	7.7	701,677	7.2	773,432	7.7	9,750,515	3,262,487	33.5
1931	...	...	564,626	6.6	569,759	6.6	773,432	9.0	8,636,756	3,732,535	43.2
1932	...	...	441,883	5.5	565,033	6.0	773,432	9.6	8,035,316	3,888,833	48.4
1933	...	...	539,960	6.5	588,555	7.1	973,432	11.7	8,332,153	3,805,611	45.7

APPENDIX No. 22.

WESTERN AUSTRALIA.

Statement showing:—

- a. Total Revenue each year since Federation.
 b. Total Expenditure.
 c. Total Surplus or Deficit.
 d. Revenue and Expenditure per head of population.

Year.	Revenue.	Expenditure.	Surplus.	Deficit.	Per head of population.	
					Revenue.	Expenditure.
					£ s. d.	£ s. d.
1899-1900 ...	2,875,396	2,615,675	259,721	...	16 16 3	15 5 10
1900-01 ...	3,078,033	3,165,244	...	87,211	17 1 9	17 11 5
1901-02 ...	3,688,049	3,490,026	198,023	...	18 19 11	17 19 7
1902-03 ...	3,630,238	3,521,763	108,475	...	17 0 4	16 10 2
1903-04 ...	3,550,016	3,698,311	...	148,295	15 12 10	16 5 11
1904-05 ...	3,615,340	3,745,225	...	129,885	14 18 5	15 9 2
1905-06 ...	3,558,939	3,632,318	...	73,379	13 19 5	14 5 1
1906-07 ...	3,401,354	3,490,183	...	88,829	12 19 11	13 6 9
1907-08 ...	3,376,641	3,379,006	...	2,365	12 18 2	12 18 4
1908-09 ...	3,267,014	3,368,551	...	101,537	12 4 8	12 12 3
1909-10 ...	3,657,670	3,447,731	209,939	...	13 7 6	12 12 2
1910-11 ...	3,850,439	3,734,448	115,991	...	13 18 2	13 9 9
1911-12 ...	3,966,673	4,101,082	...	134,409	13 9 8	13 18 10
1912-13 ...	4,596,659	4,787,064	...	190,405	15 0 4	15 12 9
1913-14 ...	5,205,343	5,340,754	...	135,411	16 4 8	16 13 1
1914-15 ...	5,140,725	5,706,541	...	565,816	15 18 3	17 13 4
1915-16 ...	5,356,978	5,705,201	...	348,223	16 16 11	17 18 10
1916-17 ...	4,577,007	5,276,764	...	699,757	14 18 7	17 4 3
1917-18 ...	4,622,536	5,328,279	...	705,743	15 1 8	17 7 8
1918-19 ...	4,944,851	5,596,866	...	652,015	15 19 3	18 1 4
1919-20 ...	5,863,501	6,531,725	...	668,224	17 18 2	19 18 11
1920-21 ...	6,789,565	7,476,291	...	686,726	20 10 6	22 11 11
1921-22 ...	6,907,107	7,639,242	...	732,135	20 11 6	22 15 1
1922-23 ...	7,207,492	7,612,856	...	405,364	20 19 6	22 3 1
1923-24 ...	7,865,595	8,094,753	...	229,158	22 4 7	22 17 7
1924-25 ...	8,381,446	8,439,844	...	58,398	23 0 4	23 3 7
1925-26 ...	8,808,166	8,907,309	...	99,143	23 13 4	23 18 8
1926-27 ...	9,750,833	9,722,588	28,245	...	25 14 11	25 13 5
1927-28 ...	9,807,949	9,834,415	...	26,466	25 0 0	25 1 5
1928-29 ...	9,947,951	10,223,919	...	275,968	24 10 2	25 3 10
1929-30 ...	9,750,515	10,268,519	...	518,004	23 7 11	24 12 9
1930-31 ...	8,686,756	10,107,295	...	1,420,539	20 13 0	24 0 7
1931-32 ...	8,035,316	9,593,212	...	1,557,896	19 1 2	22 15 1
1932-33 ...	8,332,153	9,196,234	...	864,081	19 13 9	21 14 7

APPENDIX No. 23.

WESTERN AUSTRALIA.

ADJUSTED REVENUE SURPLUSES OR DEFICITS.

Year.	Surpluses as Published.	Deficits as Published.	Sinking Fund Contributions suspended.	Agricultural Bank.	Industries Assistance Board.	Soldier Settlement Scheme.	Soldier Settlement Scheme Lands.	Works under construction.	As Adjusted.	
									Surplus.	Deficit.
1899-1900	£ 259,721	£ ...	£ ...	£ ...	£ ...	£ ...	£ ...	£ ...	£ 259,721	£ ...
1901	...	87,211	...	...	...	...	...	...	...	87,211
1902	198,028	...	...	...	...	...	...	...	198,028	...
1903	108,475	...	...	...	...	...	...	...	108,475	...
1904	...	148,295	...	...	...	...	...	...	...	148,295
1905	...	129,885	...	...	...	...	...	...	...	129,885
1906	...	73,379	...	...	...	...	...	...	...	73,379
1907	...	88,829	...	...	...	...	...	...	...	88,829
1908	...	2,365	...	...	...	...	...	...	...	2,365
1909	...	101,537	...	...	...	...	...	...	...	101,537
1910	209,939	...	...	...	...	...	...	...	209,939	...
1911	115,991	...	...	...	...	...	...	...	115,991	...
1912	...	134,409	...	...	...	...	...	...	...	134,409
1913	...	190,405	...	7,651	...	...	...	...	...	198,056
1914	...	135,411	...	12,677	...	...	...	...	...	148,088
1915	...	565,816	...	27,208	...	...	...	...	...	593,024
1916	...	348,223	...	12,865	...	...	...	...	...	361,088
1917	...	699,757	...	...	...	...	...	...	...	699,757
1918	...	705,743	...	...	...	...	...	...	...	705,743
1919	...	652,015	...	31,061	...	...	...	...	...	683,076
1920	...	668,224	...	...	...	43,985	...	...	...	712,209
1921	...	686,726	...	...	...	92,671	...	...	...	779,397
1922	...	732,135	...	...	...	152,465	...	...	...	884,600
1923	...	465,304	91,500	4,135	...	134,089	33,540	...	...	668,628
1924	...	229,158	91,500	4,219	...	104,381	15,504	...	...	444,762
1925	...	38,398	91,500	2,714	...	87,328	38,357	...	...	278,297
1926	...	99,143	91,500	26,549	...	88,330	45,217	29,402	...	380,231
1927	28,245	...	101,484	...	...	72,688	50,276	36,538	...	232,741
1928	...	26,466	...	...	...	66,844	10,910	30,461	...	134,681
1929	...	275,968	...	24,305	...	54,753	5,455	35,714	...	396,195
1930	...	518,004	...	52,693	111,199	67,685	...	28,477	...	778,058
1931	...	1,420,539	...	161,872	774,266	135,007	...	53,158	...	2,544,842
1932	...	1,557,896	...	125,666	...	21,790	...	30,564	...	1,735,916
1933	...	864,081	...	160,784	...	58,533	...	11,434	...	1,094,832
	920,394	11,605,382	467,484	654,399	885,465	1,180,540	199,259	255,838	892,149	15,220,131

*These amounts representing losses written off to General Loan Fund, were accumulated over a series of years.

During the four years ending the 30th June, 1933, several items of expenditure representing maintenance and renewals were suspended on account of the acute financial condition. This expenditure is now being provided out of Loan, and totals £1,003,765 made up as follows:—

<i>Railways</i> —		£	£
Deferred maintenance during the years 1930-31 to 1932-33. This is now being provided from Loan Money spread over the next 3-4 years. Expenditure in 1933-34 year estimated at £125,000	...	...	500,000
<i>Buildings</i> —			
Deferred maintenance during the 5 years ended 30th June, 1933. £60,000 will be spent in 1933-34, and the balance in 1934-35 from Loan Funds	...	...	100,000
<i>Fremantle Harbour.—Victoria Quay Renewals</i> —			
Carried out during the years 1924 to 1931, total cost	...	654,326	
Value of new work estimated at	...	389,447	
Revenue charge	...	264,879	
Amount cleared from Government Property Sales Fund	...	96,114	
Balance of Maintenance Cost charged to Loan	...		168,765
There is a further £180,000 to be expended on 2 bays, of which approximately £75,000 is normally a Revenue Charge	...	...	75,000
<i>Fremantle Harbour.—North Quay Renewals</i> —			
Work now in progress, total estimated cost	...	230,000	
Of which approximately 70% is estimated as a charge to Revenue	...		160,000
Expended to 30th June, 1933, charged to Loan	...	118,743	
Value of New Work	...	45,006	
		£73,737	
			£1,003,765

CHAPTER 8.—THE FAILURE OF FEDERALISM IN AUSTRALIA.

278. In a brilliantly written publication by Mr. A. P. Canaway, K.C. (N.S.W.) entitled "The Failure of Federalism in Australia," the author exposes the failure of Federalism as a system of social organisation in Australia.

279. Mr. Canaway's work, published in 1930, is no ordinary one; obviously it has been inspired by a deep concern for the very highest considerations of national welfare, and on account of his alarm at the serious consequences which have either arisen or are likely to arise from the operation of the Federal System or, as he has called it, Australia's Misfit Constitution.

280. A similar line of thought and investigation appears to have influenced Mr. T. R. Ashworth, in submitting his "Supplement Recommendations," as a member of the Royal Commission on the Commonwealth Constitution of 1929.

281. Mr. Ashworth complains that ⁽¹⁾with the exception of the majority and minority statements contained in Section XXII. there are no recommendations designed to cure the more deep-seated defects of the Constitution revealed by experience. . . . There is no recognition of the reaction of the Constitution as a whole upon the life and character of the people." Believing these several matters to be vital to the proper government of the Australian people, Mr. Ashworth deemed it his imperative duty to state his own conclusions and recommendations in regard to them. He agreed with the declaration of Mr. R. Windeyer, K.C. (N.S.W.), that the subject should be approached "from the point of view, not of trying to see how the best can be made of the present Constitution, but from the aspect of discovering whether there are, or are not, defects in the Constitutional system of Australia that may ultimately lead to disaster." It was Mr. Windeyer who said that "there may be seeds of ruin in the present Constitutional system which ultimately may destroy democratic institutions . . ." Mr. Ashworth placed it on record as his conviction that although "the separate amendments of individual powers and sections recommended in the report

(1) Royal Commission's Report, p.p. 277-293.

will serve to excise minor disabilities or cure minor ailments . . . there will still be 'seeds of ruin' in the Constitution and that pending certain and further drastic changes some of the worst political and economic ills from which the people of Australia are now suffering will remain."

282. Mr. Ashworth then proceeds as follows (at p. 277 *et seq.*):—

"That representative democracy is the most complex and difficult of any of the forms of government; that the complexities are much greater in a federal than in a unitary system; that our Constitution is a combination of two incompatible systems of government—the British and the American; in a word, that the Australian Constitution in its accumulation of these complexities and difficulties presents an exceptionally difficult problem of government to the Australian people is not generally or sufficiently recognised. Our Constitution is what is known as Federalism, and as such is modelled on that of the United States of America. Upon this model we have superimposed that mass of conventions known to students of political science as the British Cabinet system. This System postulates as its major thesis the responsibility of the executive to the legislature. Australia is the first and only country that has attempted to cross the British and American Constitutions. It may be objected that I overlook Canada. That country is but superficially a federalism. The English publicist and constitutional historian, Sir John Marriott, speaks of the 'distinctly unitarian bias of the Canadian Constitution' (The Mechanism of the Modern State, vol. ii., p. 415) . . .

"The Australian Constitution is the first of its kind; it has no precedent; it is an experiment. Both the system of Cabinet Government and the Federalism with its inevitable adjunct legal system are complex and delicately adjusted mechanisms; and the contact one with the other may well be out of alignment. The Constitution is an attempt to combine the parts of two machines of government, differing in essential features, into one machine. In the concrete and therefore less difficult sphere of physical machinery, such an attempt would not be made. It were just as reasonable to amass the gears of an American roadster with the engine of a light British motor car and look for a uniform and serviceable article in the result.

"Like most hybrids, the Australian Constitution is lacking in the distinctive merits of each of its progenitors. Sovereign powers being divided between Commonwealth and States, the central Parliament cannot be held responsible as in Britain for government as a whole. The legislature and executive functions being linked together, those entrusted with their operation cannot be held responsible in separated parts by the people as they are in the United States. . . .

"Obviously, the ills which the Australian people are now suffering through the attempt to join two incompatible systems of government together can be removed by the adoption of either in complete form. If the recommendations of the minority contained in section xxii. are accepted, the Cabinet system will serve the purpose. The alternative is the Presidential system together with the initiative, referendum and recall. . . .

"If the Australian people desire to retain a Federal constitution, I report my considered belief that the Presidential system affords the only hope of success. But as between a Presidential federal system and a Cabinet unitary system, I favour the latter. Therefore, I urge the adoption of the proposals set forth in the recommendations of the minority contained in section xxii. . . .

283. Referring again to "The Failure of Federalism in Australia," the preface contains *inter alia* the following observations:—

" . . . So shrewd a judge of men and affairs as His late Majesty King Edward VII. thought, as is now known on the authority of Sir Sidney Lee, that in Australia Federation was carried too soon. At any rate, it was carried without much consideration having been given to the question whether after union a strictly federal form of polity would meet the legitimate needs of the Australian nation as fully as a unitary one might do. Time, however, tries everything, and the course of events in Australia since Federation has been such as to raise a strong doubt whether due weight had been given to all the factors to be considered when the above speculative estimate of the practical value of federalism was acted on as stated. It is self-evident, indeed, that the ends of government cannot be perfectly attained unless, in addition to the right sort of institutional machinery, there is also a regular supply of the right sort of motive power; and for one thing experience in Australia has proved that under its strictly federal form of polity the right sort of motive power is generally in short supply. The field of government cannot be divided up as it now is into distinct spheres of action without entailing a corresponding dividing-up of the field of vision The late Lord Northcliffe in his farewell message to Australia said: 'I have met scarcely a score of men and women in Australia with any sense of the imminent danger in which this country stands.' And this remark furnishes the key to many vagaries in the schemes of policy usually pursued. The recent British Economic Mission to Australia in its report (published after the following chapters had been completed in all but their final form) has shown how far the financial and economic practice of the country falls short of what, from the point of view of pure economics, it ought to be. On the face of things in Australia then, there is evidence enough of a chronic shortage of the motive power necessary to make the whole apparatus of governmental mechanism so work as to enable the Australian nation to adapt itself and its ways of living to the circumstances amidst which its lot is cast. . . . It would be a far-fetched explanation of what is now amiss in Australia to put it all down to deficiencies in the Australian people. A much more probable explanation is that it is due in part, if not wholly, to the Australian nation's having to live under a form of polity which does not suit it or its heredity. Hence the question which was thrust aside during the course of the movement towards union still obstinately raises itself—the question, that is to say, whether the Australian nation would not be better off under a unitary than under its present federal form of polity.

284. Then follows the various chapters comprising a volume of some 200 pages in which the author engages himself in a most complete investigation and inquiry and an exhaustive analysis of the conditions of the problem, in the course of

which he examines "The Broad Principles of Federalism in Australia," "The Effects of Federalism upon the Mechanical Efficiency of Governmental Operations," "The Effects of Federalism upon the Mental Processes of the Individual," "The Bearings of Federalism upon the System of Responsible Government in Australia," "Australian Federalism in the light of English Constitutional History," and "The Flimsiness of the Stock Pleas in Defence of Federalism in Australia."

285. It is impossible in this Case even to present a summary that would do justice to Mr. Canaway's masterly exposition of the matter—the exigencies of the present, and the dangers of the future. A complete study of that publication makes it clear beyond the possibility of dispute that the author is not overstating the position when he arrives at the conclusion that the Federal system is quite unworkable in Australia; that the Federal principle of social organisation is a principle which flies in the face of nature; that in order to ensure, as far as is humanly possible, the safety of the Australian people in their land, the Federal form of polity should be discarded; or otherwise there is too much reason for fear that outraged nature will avenge itself at the expense of some unhappy generation amongst them and consign them to a ruin which overtook the malformed social organisms which were created in the earliest times of English history by the Celts and the Anglo-Saxons.

286. Extracts from "The Failure of Federalism in Australia" are contained in Appendix No. 24 at the end of this chapter.

287. In justice to the two authorities referred to, however, it must be stated that in advocating the discarding of the Federal system and the adoption of the Unitary system, neither Mr. Canaway nor Mr. Ashworth contemplated a new system other than a single Unitary system for the whole of Australia. Nor is this surprising, for both gentlemen are residents of the Eastern States; and in almost every discussion upon Australian affairs, political or otherwise, there has always been, on the part of residents of those distant areas, a conscious or unconscious, but nevertheless irresistible (and understandable) tendency to regard the eastern economic unit, in which they reside, as being ⁽¹⁾Australia—a tendency which has always displayed itself in a more or less pronounced form.

(1) See Appendix No. 59.

288. Their main conclusion was that Federalism was impracticable in Australia; they did not consider it then necessary to elaborate upon the many considerations arising out of their conclusion in favour of a unitary principle. Having regard to the trend towards unification in the Eastern States, and the unrelenting hostility to it in Western Australia, it is not beyond the bounds of possibility that had the question been raised for their consideration they would have conceded the desirability of two unitary systems—one for Western Australia, and one for Eastern Australia. Indeed, during his cross-examination of Professor Shann, who appeared as a witness before the Constitution Commission, Mr. Ashworth observed that “The hindrance may be inherent in Federation itself. It may be the only remedy would be Secession.” Secession, however, was a question which did not come within the Commission’s terms of reference.

289. The unalterable geographic and economic background of Australia, an aspect which is considered in Chapter 16 of this Case, precludes the inclusion of Western Australia in any system of Government—Federal or Unitary—designed to embrace the whole of Australia. Whatever merit there may be in the adoption of a single unitary system for all the Australian States other than Western Australia—and that proposal may not be without merit—there is no valid justification in fact for the inclusion of Western Australia within that particular system; on the contrary, the virtual loss of self-government as sustained by the people of Western Australia under Federation would then be complete in form as well as in substance. “If self-government is to be a reality,” it is declared, in the Report of the Indian Statutory Commission (vol. ii., p. 14). “it must be applied to political units of a suitable size, after taking into account all relevant considerations. Representative democracy as it is understood in Britain, depends for its success on the possibility of a close contact between elector and elected person. Unless this is secured, it is not real representation at all.”

290. The proved benefits and the undoubted efficiency of Responsible Government as it is generally understood in British communities are too well-known to require any exposition. Sound and efficient government means direct and immediate local government. Despite the theoretical argument that under Federation a measure of self-government still remains with the State, the position for all practical purposes is now

that responsible government is impossible, because now the State, as regards financial matters and so many other matters, is controlled from Canberra. Western Australia has but five members out of a total of seventy-five in the House of Representatives; and Canberra is more than two thousand miles away. So that, if a unitary principle were adopted upon an Australian-wide plan—if there were transferred to the supreme control of the Parliament at Canberra such powers, in respect of which that Parliament does not, directly or indirectly, already possess effective control, the loss of self-government would then be complete.

291. It may be that the people of the Eastern States and their political leaders prefer to persist with the Federal system of polity, postponing the day of reckoning by holding Premiers' Conferences and Constitutional Conventions, by altering a section of the Constitution here, or a section there; or, in other words, by treating the symptom instead of the disease.

292. The people of Western Australia, however, have been brought to a realisation of the fact that there are in the present Federal system those "seeds of ruin" which, if not eradicated, will ultimately destroy its democratic institutions. Upon this matter their sentiments are adequately and correctly portrayed in the following words which appear in "The Failure of Federalism in Australia" (p. 10):

"Because the whole Empire stands behind Australia, many seem to think that they can afford to remain indifferent as to the sort of constitution Australia has. But surely the consideration referred to cuts both ways. If the Empire owes a duty to Australia, Australia owes a duty to the Empire; and that duty involves preparedness on Australia's part to act at need up to the limit of its potential efficiency in furtherance of the objects of the Imperial partnership. For that purpose it is necessary that Australia should develop to the utmost all the elements—mental, moral, physical, financial and so on—of its national strength; and in order to achieve this result it must govern itself properly. Hence, other things being equal, the better governed Australia is, the stronger the Empire will be; and it is therefore to the joint interest of the whole Empire that Australia should have, or if without get, the means of bringing the common sense of its people to bear upon the various problems of its destiny in order to solve them all intelligently."

293. Because of the considerations set forth in Chapter 16 of this Case, the people of Western Australia are not—and, in the nature of things, cannot be—directly interested in the re-organisation of the polity of the Eastern States. By their vote for Secession, however, the people of Western Australia have

resolved to give effect to the sentiments, which have been expressed in the words quoted above; to put their own house in order; and to endow their one-third of the continent with a unitary system of polity such as existed in the Colony, as it was then called, from 1890 to 1900—a system which then gave the people of Western Australia real self-government under which they then prospered and progressed in a most remarkable manner, and a system which they are convinced will not only restore real self-government to the people of Western Australia, but will go far to facilitate and promote the future prosperity and progress of the State and the people of the State, and at the same time permit of a greater and more effective co-operation with the people of the Eastern States in matters where co-operation and co-ordination may be desirable.

APPENDIX No. 24.

Extracts from

"THE FAILURE OF FEDERALISM IN AUSTRALIA"

By A. P. CANAWAY, K.C. (N.S.W.)

(Oxford University Press.)

The Broad Aspects of Federalism in Australia.

.... This resort to Federalism for the purpose of organising the nation was a complete departure from the best British precedents. When, for instance, following the Norman Conquest, the realm of England was moulded into something like its present shape, the principle of social organisation, applied with logical thoroughness, was the unitary principle, that is to say, the principle by which a country is governed from a single source of rightful authority—the very opposite of the Federal principle. So also, when in the reign of the first of the Tudors, Wales was brought into union with England, the same unitary principle was carried forward and adopted as the principle upon which society within the new composite body politic was to be organised. The process was repeated once more in the reign of Queen Anne, when Scotland of its own free choice came into union with England and Wales. In the Great Britain which thenceforward was to form a single body politic all rightful authority in matters of government was, as the articles of union prescribed, to flow from one source only. Since then a process of constitutional evolution, whose course will be traced out in a subsequent chapter, rendered that source complex instead of being as simple as it originally was. But the very intricacy of the relations now prevailing between the British Monarchy and the present depositaries of its governmental powers is proof that successive generations were all agreed upon the necessity of keeping the principle in full force and effect. It is not too much to say that the unitary principle of social organism served for a cycle of many centuries as the tutelary principle of the English people, or that the English (now British) Constitution grew out of it, or that the British Empire was at first founded upon it. British precedents were therefore against Federal unions. Nor could the strictly Federal form of union adopted in Australia derive much support from such well-known constitutional systems as those of Switzerland and Canada. . . Three Asiatic populations of huge bulk (not to speak of others) are . . . assuming towards the white races an attitude quite different from that which was usual and normal up to half a century ago; and the lengthening shadow cast by the new Asia as it uplifts itself falls right over the whole continent of Australia.

.... Because the whole Empire stands behind Australia many seem to think that they can afford to remain indifferent as to the sort of constitution Australia has. But surely the consideration referred to cuts both ways. If the Empire owes a duty to Australia, Australia owes a duty to the Empire; and that duty involves preparedness on Australia's part to act at need up to the limit of its potential efficiency in furtherance of the objects of the Imperial partnership. For that purpose it is necessary that Australia should develop to the utmost all the elements—mental, moral, physical, financial, and so on—of its national strength; and in order to achieve this result it must govern itself properly. Hence, other things being equal, the better governed Australia is the stronger the Empire will be; and it is

therefore to the joint interest of the whole Empire that Australia should have, or if without get, the means of bringing the common sense of its people to bear upon the various problems of its destiny in order to solve them all intelligently.

Since the Commonwealth of Australia Constitution Act has been in force, however, much has already happened to produce a bad impression upon those who watch the trend of events, and to put them upon inquiry as to the adequacy of Australia's present Federal form of polity.

The list of problems which the existing apparatus of governmental mechanism is proving itself unable to solve is already of considerable length Then there is the problem of the drift of population towards the State capitals. At the date of Federation the proportion of the total population of the Commonwealth residing within the metropolitan areas of the respective States worked out at 35.38 per cent. In the last decennial census—1921—the proportion was officially stated as being 43.01, and it was given out that during the ten-year period preceding that census the metropolitan populations had grown more than four times faster than the strictly rural population. The drift citywards is thus forging ahead with accelerated velocity; and in view of the need of an effective occupation of the whole continent, in order that the nation's title thereto may from the point of view of international law be placed beyond the reach of challenge, the present movements of population are wholly in the wrong direction. The mean density of the total population is only about two to the square mile; and that fact gives the drift of population away from sparsely peopled areas a sinister significance which is wanting in the case of other countries whose populations are well distributed and comparatively dense. There is, as may frankly be admitted, a growing tendency in most civilised countries for their inhabitants to become more and more urbanised. But elsewhere this tendency has as a rule no direct bearing upon the safety of the country. In Australia it has, and that fact makes a world of difference. It is not, indeed, as if the mischief were wholly without remedy, especially in cases where, as in Australia, plenty of vacant land is to be had and waits to be taken up. There are springs of action in human nature which only need to be touched in order to stem the drift citywards and turn it in the opposite direction. Other things being equal, men spontaneously move towards those localities and employments where most money is to be made. The situation in Australia now rapidly getting out of control might accordingly be retrieved if free play were given to those economic forces which can shift population from where its further growth is not wanted to places where it is; and one way amongst others of doing this would be to make the primary industries more attractive than they now are to capital and labour.

. . . . It would be superfluous though easy to add to the list of instances in which the Australian nation has signally failed to get its own public affairs well managed. The miscarriages already adduced are in themselves sufficient to show that the apparatus of governmental mechanism set up by the present constitutional system cannot be relied on—even in cases of capital importance—to do its work cleanly and without a hitch. The matter standing so, the duty of every one who has the welfare of Australia and of the British Empire at heart is to make the mental effort required in order to come to a reasoned conclusion upon the points (i) whether the existing Federal form of polity is really suited to the circumstances amidst which the Australian nation's lot is cast, and (ii) whether a non-Federal

form of polity would not allow the nation to do itself more justice so as to increase its survival-value.

. . . . A change in its (Australia's) present constitutional system is within the region of practical politics, but a change in the system of Responsible Government is by no means so. The latter is a procedure-system, and people pin their faith to it because almost universally they believe that under it a tight hold can be kept upon the depositaries of legislative and administrative powers, and that no other system invented or to be invented could offer them as ample a safeguard against the unconscionable exercise of such powers. If it may be taken for granted that the system of Responsible Government will always be operative, whatever the form of the polity may be the question as to the effect of the co-existence of the above latent differences resolves itself into a question as to the bearing which they must, combined together, have upon the potential efficacy of the system of Responsible Government when the latter is, as it ought to be, regarded as a means for ensuring the attainment of the national well-being and safety.

Effects of Federalism upon the Mechanical Efficiency of Governmental Operations.

. . . . None of the three articles of current policy which have now been reviewed (*i.e.*, the neglected drift citywards, the fiscal policy of protection, industrial arbitration) could possibly find a place in any well-thought-out and well-digested scheme of measures directed towards getting settlement to spread itself as freely as possible through the length and breadth of the continent of Australia. And yet the seven sets of institutional machinery in the presence of the growing drift citywards persist in courses of action so contrary to the real requirements of the situation as to amount to an aiding and abetting of that drift. . . . The result in this connection of the nation's inability to obtain the due performance of the twin processes referred to above therefore is that there are no means whereby the idea of the need of a more effective occupation of all Australia can transform itself into a motive force in practical politics and make itself prevail. No one has a word to say against making that idea a principle of governmental action, but yet under the conditions distinctive of the present Federal form of polity it wields no decisive influence over the courses of events. When all has been said and done it remains a mere pious aspiration, a pining for what is not.

. . . . Two independent systems of governmental activity cannot be set and kept in motion within one and the same local area—as under the present Federal form of polity is the case in each and every State—except at the risk of incidental complications. On occasions the Federal and State lines of governmental action fall foul of one another. When that happens, the nation by its agencies for taking legislative or administrative action is virtually at cross-purposes with itself, and gets, so to speak, in its own way. On other occasions the two lines of governmental action run side by side, producing duplication. When that happens, the nation's energy and money are being wasted in getting the same thing done twice over. . . . As those railways (*i.e.*, the State-owned railways) have for the most part been constructed with borrowed money it is important that they should return sufficient profit to pay interest on the cost of their construction.

Otherwise the State taxpayers must make good the deficiency. Hence, the railway systems of the respective States have as a rule been placed by State statutes in charge of Commissioners whose duty it is to make them successful commercially. Whatsoever such Commissioners may do in regard to wages and conditions of employment in the railway services under their management is, however, liable to be upset by awards of the Federal Court of Industrial Arbitration. Thus there are all the makings of a series of collisions between State governmental activities, as brought to a point in the measures adopted by the Railway Commissioners, and Federal governmental activities, as finding expression in the awards of the Federal Court of Industrial Arbitration. It is not suggested that there has been any lack of circumspection so far in the proceedings of that Court. But power as absolute as that vested in it is sure sooner or later to be abused; and therefore there is no knowing when some ill-considered decision on its part may not involve one or more States in financial difficulties as the sheer result of the clash of Federal and State governmental activities.

. . . . Besides tending to produce collision between various Federal and State governmental activities, the present Federal form of polity also lends itself, as already said, to the production of more or less duplication of such activities The duplication of Federal and State governmental activities prevails in so many cases and in so many directions as to leave no room for doubt as to its being in itself as much a normal by-product of the present Federal form of polity as collision between similar activities has already been shown to be. In the apparatus of governmental mechanism as now established in Australia there is thus a pronounced tendency to produce certain distinctive results which work against the attainment of the national well-being and safety.

. . . . Practical experience of the working of the present Federal form of polity thus shows that in three crucial matters—the more effective occupation of the Australian continent in its entirety, the scientific management of the national finances, and the maintenance of unity of policy and unity of action throughout the whole field of governmental operations—the nation has failed to act up to the dictates of its common sense and has ordered its behaviour in such a way as to do itself scanty justice. These miscarriages in all three directions at once might excite wonder if the nation lived under a unitary form of polity. But the existing constitutional system being what it is there is nothing surprising in them. They are the natural consequences of those defects in the average working-capacity of the apparatus of governmental mechanism which have already been explained. They are indeed of special importance from the point of view of logic because they confirm by the method of induction the conclusion arrived at by the method of deduction, and nothing can be surer than a conclusion supported by both methods of reasoning. The existence of the above congenital infirmity in the Australian nation as now constituted is something which may be taken therefore as indisputable.

Effects of Federalism upon the Mental Processes of the Individual.

. . . . Under the present Federal form of polity at least two factors work against the influence of moral considerations upon the management of the nation's internal affairs. . . . By the joint operation of both factors the force of moral principles in matters of internal government is weakened both absolutely and relatively. In the result, practical politics become free

to break away from the controlling influence of morals, and the mere possession of legal power comes to be regarded by men in the mass as a sufficient justification for its being exercised. Hence, one amongst other constant conditions amidst which those living under the present federal form of polity do their thinking, feeling and acting, is that the genus of the form of polity is not in favour of ascribing cardinal importance to the moral complexion of governmental acts of commission or omission in connexion with the nation's internal affairs.

Under the present Federal form of polity those living under it have, as it is commonly expressed, a double citizenship. Each of them is a member of the Commonwealth. Each of them is quite as much a member of a State. Accordingly, the individual who thinks, feels, and acts concerning matters of government does not always do so in the same capacity. As he watches the course of affairs within the Federal sphere of action he thinks, feels, and acts in regard to them in his capacity as a member of the Commonwealth. When he brings his mind to bear upon things happening within the sphere of action of the particular State to which he belongs, he thinks, feels, and acts in regard to them in his capacity as a member of that State. Both systems of governmental activities—the Federal and the State—go on concurrently, and therefore he is constrained to divide his attention between them and to alternate as the occasion may require the capacities in which for the nonce he does his thinking, feeling, and acting. Thus he is kept oscillating between his two capacities. Under the circumstances, then, the exercise of neither capacity can proceed continuously and regularly and as a matter of course. That being so, there is no room for the operation of the force of habit as applied to the things of the mind. He is not wont to think, feel, and act uniformly and invariably in either of his two capacities, and therefore neither of them can grow upon him and in the end become his second nature. So far as the recurrent exercise of his Federal capacity is concerned, it cannot make him a more devoted adherent of the nation than he otherwise would be. Nor can the force of moral gravitation help to work such a transformation in him.

The Bearings of Federalism upon the System of Responsible Government.

At the opening of the Second Chapter it was shown that under a Federal form of polity the average working-capacity of the apparatus of governmental mechanism is not up to the performance of two substantive operations of capital importance. One operation is the regulating of all legislative and administrative actions taken in the course of the management of public affairs by reference to the exigencies of the nation's situation in its entirety. The other operation is that of so co-ordinating all the aforesaid actions as to make of them a coherent whole. In the same chapter also a number of instances were adduced which may now be shortly recalled for the purpose of illustrating how gravely the national interests are compromised because the due performance of neither operation comes within the purview of the principle of responsibility. There is, for example, the menace to the nation's survival-value involved in the neglected drift citywards; but there is no Minister and no member of Parliament who can be held responsible for the failure to take proper measures for arresting and reversing the drift. The national finances, too, are being administered in a way which violates elementary rules of sound financial management; but

there is no Minister nor member of Parliament who can be held responsible for the continuance of the present organized financial disorder. In many directions also there are obvious duplications of, or collisions between, Federal and State governmental activities; but there is no Minister nor member of Parliament who can be held responsible for the consequent frittering away of the nation's energies and moneys. By reason, then, of the first qualification of the principle of responsibility its control over the workings of the seven sets of institutional machinery falls short of being entire. In the result the nation is unable to get certain things done, without the doing of which, as above examples show, there cannot even be the semblance of good government.

. . . . Possibly, or even probably, if the worst came to the worst, the Commonwealth might fail to ensure the absolute safety of Australia, and that fact is as obvious to foreign peoples as to ourselves. Hence the policy which the Commonwealth advisedly and avowedly pursues in regard (say) to alien immigration is not backed up by a show of physical force imposing enough to compel the outside world to respect it; and it is matter for speculation whether there are not powers which are nursing their grievances on that score and biding their time until they can venture to bring the issue to the proof of arms. There is thus no certainty that the means available to the Commonwealth will suffice to ensure the attainment under all circumstances of the end—the security of Australia—that it is bound to keep steadfastly in view, and the first and indispensable step towards making those means what (all things considered) they ought to be is to help settlement to spread itself abroad through the length and breadth of all Australia. For that purpose there is, as already shown, need of a scheme of constructive policy designed to make rural industries more attractive to capital and labour than they are at present. The constitutional limitations on the competency of the Commonwealth disentitle it to take the chief part itself in any such scheme. It is the States which—to speak broadly—are alone competent to decide what is to be done with the waste lands of the Crown situated within their respective boundaries and also with the minerals contained in similarly situated lands which are no longer vested in the Crown. It is the States, too, which alone can deal with the regulation of private property in land with the provision (subject to some exceptions) of facilities for land transport and with the like subject-matters of governmental activity. Hence if the foregoing scheme of constructive policy is to come to anything at all, it must be taken up by the States and, as each of them is supreme in the sphere of action reserved to it, of their own free will. . . . No one State would be more interested than the others in the success of the scheme, and therefore none of them would feel specially called upon to give a lead and make the first move. As in other cases of divided responsibility there is a strong presumption that, like the Earl of Chatham and Sir Richard Strachan in the familiar epigram, they would stand waiting for one another; and the outcome would be apt to verify the truth of the adage that what is everybody's business is nobody's business.

. . . . To engraft the system of Responsible Government upon a Federal form of polity is in truth to denature the system and to cause the virtue to go out of it; and if it be conceded, as it must be, that priority of invention and use gives unitary Responsible Government the right to be esteemed the original and genuine form of the system, then the sum of the matter seems to be that Federal Responsible Government is nothing but a spurious and colourable imitation of it.

CHAPTER 9—SOME OUTSTANDING DISABILITIES (OTHER THAN THE MAIN DISABILITIES) OF WESTERN AUSTRALIA UNDER FEDERATION.

Preliminary.

294. In considering the adverse effects of the Federal system in its application to Western Australia, it must be recognised at the outset that the disabilities cited in this chapter are not merely accidental. Generally speaking, every disability mentioned is suffered by the State as a direct result of Federal legislative enactment or administrative action pursuing a policy which is framed to suit the conditions prevailing in the States in Eastern Australia, with little or no heed for the action necessary to preserve the best interests of Western Australia. Continued protests by the representatives of Western Australia in both Federal Houses of Parliament, by public bodies, and leading citizens, and recommendations by Commissions of Inquiry of an Imperial, Commonwealth and State character have failed to bring about the change of policy sought or recommended. Any representations or protests from Western Australia lose most of their force and character when received by a centre over 2,000 miles away from the State, a fact which has caused this State's representations to the Commonwealth to be characterised as "a voice crying in the wilderness."

295. It has been explained elsewhere in this Case that so long as Western Australia remains a member of the Federation it is in the very nature of things that the effects of Federal policy *must be injurious*, and yet to-day Western Australia is not in a position to alter or counter these adverse effects in any manner. The gradual growth of Federal power has so narrowed the borders of State functions that the State is powerless to improve a condition, which steadily grows worse year by year.

Isolation.

296. The various needs and requirements of Western Australia can never be properly understood by legislators residing and remaining in a centre which is over 2,000 miles away. Continuous contact with the development of the State and the

necessities to ensure such development are not practicable from a political standpoint when decisions are arrived at without a real knowledge of the requirements of the State, financially, economically and industrially. The Western Australian Press has no influence on public opinion in the Eastern States firstly because of its negligible circulation outside of Western Australia and secondly, because Western Australian news journals are inevitably five days late when they reach the Eastern States. It is inevitable therefore that "national outlook" means to the Eastern portion of the Continent, Eastern Australian outlook, and political consideration is coloured accordingly. The necessities of the "Cinderella State" are at all times subservient to the apparent needs of the closely clustered capitals of Queensland, New South Wales, and Victoria. Western Australia is thus politically isolated as a direct result of geographical isolation which no legislature can redress. This great geographical disability is more specifically dealt with in Chapter 16 of this Case.

Administration.

The Danger of Centralisation.

297. It can be postulated that the administrative activities of a Government play an essential and an important part in the good government of a people; and that successful administration depends to a great extent upon the ability of the people to make contact with those departments and officers, in whose hands rests the responsibility of carrying out the expressed wishes of the Legislature. From the inception of Federation, the administrative operations of Federal Departments were centred in Melbourne, but after entering into possession of the Federal Capital Territory, at Canberra, Federal administration was transferred to that city. The Capital City of Canberra represents all that is claimed for it, so far as its neutral location is concerned, from a geographic standpoint. Theoretically it is set apart from any other capital city of the Commonwealth; but from a practical standpoint, the huge expenditure involved in its establishment and upkeep re-acts directly for the benefit of Melbourne and Sydney only, and its proximity to those cities is naturally reflected in an administrative policy designed mainly to suit their conditions. The capital outlay involved was over £14,000,000, and this huge sum was circulated wholly in the Eastern side of Australia, although the responsibility of the capital debt is borne by the people

of all the States. The paramount fact, however, is that by outlaying such an enormous sum of money in the creation of the capital, and by spending a large sum in effecting the transfer of the chief administrative offices of the Commonwealth to that capital, the complete isolation of Western Australia from the seat of Government was finally effected, and it is reasonable to assume, will remain unaltered.

298. The extreme difficulty, if not the impossibility, of controlling an area embracing one-third of the Commonwealth from a centre 2,000 miles away will be readily apparent. The business of a Government is similar to any other business. It is essential that administrative officers have a complete understanding of local conditions, particularly in respect to matters of an industrial and developmental character generally. This knowledge cannot easily or quickly be had at the official centre, owing to the disadvantage of distance and time. The responsibility of the development and administration of the State rests with the Government of the State, but this fact does not prevent the unnecessary establishment of Federal Departments in Western Australia which already have their counterpart performing similar functions under State control. Ignorance of the true prevailing conditions in Western Australia and the fact that the centralised control dictates one policy to cover all the States, lead to a resultant clash in the administration of the State's affairs, together with an uneconomic expenditure of which Western Australia must bear its portion. The continued undermining of the rights and functions of the State and the steady growth and extension of Commonwealth departments by the Commonwealth, serves to emphasise the predominant position of the Eastern unit of Australia, and denies the Western unit the possibility of an administrative centre, together with the benefits and privileges which may be obtained from those States which are within "contact" distance of Canberra.

Duplication and Excess Costs.

299. The growth of Commonwealth administration and its ever increasing cost is evidenced by a comparison of the number of officers in the Commonwealth service drawing over £1,000 per year in 1913 compared with 1929—

Year 1913—33 Officers at a Salary of £1,000 or more ;	Total Cost,
	£52,000.
Year 1929—183 Officers at a Salary of £1,000 or more ;	Total Cost,
	£286,789.

300. Further evidence of the growth of Federal administration is provided by a comparison of one of the departments, which is duplicated in Western Australia by the Commonwealth service, namely the Health Department.

301. In 1913 the Federal Health Department was in charge of Dr. Cumpston, and he was the only officer of that department drawing a salary of not less than £1,000 per year. In 1929 the position had altered to such an extent that the following officers had been added to the department, each drawing salaries of £1,000 per year or more:—

	£
1913—Dr. Cumpston at a salary of	1,000
1929—Dr. Cumpston	1,800
Senior Medical Officer	1,020
Chief Quarantine, Victoria	1,112
„ „ New South Wales	1,012
Director, Tropical Hygiene	1,250
Veterinary Hygiene	1,012
Director, Epidemiology	1,250
„ Tuberculosis	1,300
Assistant, Serum Laboratory	1,350
„ Health Laboratory	1,020
Radium Adviser	2,000
Director, School Public Health	1,500

302. While Federal administration increases at the rate indicated, the State in the meanwhile finds difficulty in financing its own administration branches owing to the impoverished condition of State finances.

303. There is thus the tendency for the weak to be devoured by the strong, and with the loss of any branch of administration by the State the head office of that branch is automatically situated in the eastern side of Australia. This is not in the best interests of Western Australia, because it is essential that the chief executive officers of Government departments should possess a lively knowledge of local conditions which is not possible unless they reside in this State. Again, any branch of Commonwealth administration in Western Australia can at best be only a branch, lacking the complete authority necessary for rapid completion of business matters, owing to the necessity of frequent reference having to be made to Canberra.

304. The State of Western Australia has the necessary administrative offices to carry on the affairs of the State. These offices could be extended where necessary, thus obviating the unnecessary duplication of departments by the Commonwealth.

305. The Commonwealth service is not conducted as economically as the State service as indicated by the following table which provides illuminating comparisons where the same service is co-existent.

	Commonwealth Central Office Salaries.	Corresponding State Salary.
	£	£
Director General of Health	2,000	1,250
10 Divisional Directors	10,844	
Chief Architect	870	
High Court Judges	18,500	6,300
Arbitration Court Judges	10,500	3,700
Taxation Commissioner	2,000	1,170
Second Commissioner	1,500	
Taxation Appeal Board	4,654	
Public Service Commissioners	3,570	1,250
Public Service Arbitrator	2,000	60
Commissioner for Railways	2,000	2,000
High Commissioner (or Agent General)	3,000	2,000
Auditor General	1,750	1,000
Secretary, Treasury	1,500	960
Assistant Secretaries	3,010	665
Solicitor General and Parliamentary Draftsman	1,750	1,220
Assistant Parliamentary Draftsmen	2,190	
Crown Solicitor	1,620	
Assistant Crown Solicitor	1,070	960
Inspector General, Forests	1,170	1,080

306. And, as practically the whole of the above mentioned Commonwealth officers are located in Canberra, Melbourne or Sydney, the major part of the salaries are circulated in and around these capital cities. The effect of this centralised administration referred to, has a direct bearing also on the population of the State to the detriment of Western Australia, which is dealt with in a later section. The immediate effects of the facts outlined in the chapter are:—

- (1) Centralised control emphasises Western Australia's complete isolation.

- (2) Centralised administration means the pursuit of an administrative policy, formulated to suit the conditions prevailing in the States within easy distance of Canberra and where conditions are understood.
- (3) The extension of Commonwealth departments engenders fears of complete unified administration.
- (4) Administrative costs of Federal departments are considerably in excess of State expenditure.

Parliamentary Representation.

307. In case it should be assumed that the State of Western Australia has been unfortunate in the choice of its elected representatives to the Federal Legislature, inasmuch as the disabilities suffered by the State have been long borne and are annually increasing, notwithstanding the fact that the State is represented by its duly constituted quota in both Federal Houses, a consideration of the conditions of representation which are set out in this section will wholly disprove the assumption. During the past 32 years, the State has been represented by members covering all shades of political thought and who collectively, prior to their election, have been engaged in all phases of industrial and agricultural activity. The efforts of a large majority of these representatives on behalf of the State have received the full support and indorsement of the people of Western Australia. The failure of the State's representatives to stem the tide of legislation and administrative action adverse in its effects to Western Australia is explained by the numerically inadequate representation to which the State is entitled in Federal spheres.

308. The Federal House of Representatives is composed of 75 members, and one member representing the Northern Territory, who is not entitled to vote. Of these 75 members with voting power, Western Australia is entitled to five members. The State's representatives are thus outnumbered by 15 to 1.

309. New South Wales and Victoria, however, have an absolute majority of voting strength, being represented by 28 and 20 members respectively. The interests of these two States are largely identical, and although both include industrial and agricultural electorates, the industrial constituencies predominate, as is instanced by the fact that the

capital cities of Sydney and Melbourne alone enjoy between them, 24 representatives. Compare this figure with the remaining States of the Commonwealth, who have 27 representatives between them, and it will be seen that the cities of Melbourne and Sydney have only three representatives less than the total representation of South Australia, Queensland, Western Australia, and Tasmania.

310. In the First Parliament of the Commonwealth held in Melbourne in 1901, the cities of Melbourne and Sydney had between them only 16 representatives, while the State of Western Australia had five representatives. In 32 years, the two cities mentioned have increased their strength to 24 members. As only 27 members represent the whole of Australia outside the States of New South Wales and Victoria, it is conceivable that with a further increase of population in those cities, Sydney and Melbourne alone will have a voting strength in excess of the whole Continent outside the two States of which they are the capitals.

311. While New South Wales and Victoria continue to increase their representation Western Australia remains stationary in hers.

312. It should be understood that Western Australia has the full representation to which it is constitutionally entitled; but it must also be realised from the figures mentioned above that such representation is inadequate.

313. The inadequacy of Western Australia's representation in Federal spheres is well illustrated by the fact that, while the Federal electorate of Kalgoorlie is represented in the Federal Parliament by one member, the same area in the State Legislative Assembly is represented by 17 members, the total membership of which is 50 members. Hence over one-third of the representation in the State House is enjoyed by an area which has only a representation of one-seventy-fifth of the Federal House of Representatives.

314. The area includes the important gold mining districts, which together produce approximately 80 per cent. of the total gold output of Australia, together with the pastoral industry of the North-West and a large proportion of the agricultural industry. The metropolitan area of Perth in the State Legislative Assembly is represented by 15 members, while the remaining 18 members are distributed over the South-Western and Eastern divisions of the State. It will thus be seen that the dominating influence of the city areas so noticeable in the

Federal Legislature is eliminated in the State Parliament by a more equitable basis of representation, ensuring the primary producing areas better protection of their respective interests.

315. A suggestion that the Federal Parliament represents all the States is not, in fact, strictly correct. Actually the Parliament contains representatives of all the States, but that is unfortunately not the same thing. With the exception of its own members, Western Australia is but rarely visited by a Federal Parliamentary member, and years separate the visits of a Minister, and those occasions are very rarely on the transaction of Parliamentary business. It is not reasonable to expect the Federal House of Representatives to appreciate the effects of proposed legislation in relation to a State which has never been seen by many members and the conditions of which are known only to a very few.

316. Thus surrounded with the requirements demanded by their own local conditions, being within easy distance of their constituents, who can bring greater pressure to bear upon members who are their elected representatives, and because of the fact that members from those States in proximity to Canberra have no difficulty in keeping in close touch with their electorates, the framers of Federal policy pursue a course suited mainly to the States in Eastern Australia, which are in a position to dictate it. This policy, and its adverse effects, are outlined in Division three of this Case. In order to make personal contact with a member when Parliament is sitting at Canberra, an elector of Western Australia is forced to make at least a 10-day trip at considerable expense. Even representatives from Western Australia are thus isolated from those whom they represent; and they sit among 70 other members who, for the most part, are wholly ignorant of the conditions prevailing in Western Australia. Those 70 other members have no direct interest in Western Australia, and as the policy which is pursued by the Commonwealth must apply to all States, it is not likely that even a complete knowledge of the special requirements of Western Australia would induce those members to support any alteration in Federal policy contrary to the interests of their own States.

317. It will be clear from this section of this Case that the following factors are established:—

- (1) Western Australia, although comprising one-third of the Commonwealth, only enjoys one-fifteenth of the representation of the House of Representatives.

- (2) The States of New South Wales and Victoria have between them, an absolute majority of voting strength.
- (3) The continued growth of the closely settled industrial constituencies of Melbourne and Sydney must continue to entitle those cities to increased representation, while the representation of Western Australia (a primary producing area) will remain stationary for an indefinite period.

The Reservation of Coastal Navigation.

318. The history of the Australian Navigation Act commences in 1902 when the first Navigation Bill was drafted by the late Hon. C. C. Kingston. The Bill was first introduced into the Senate in 1904 but was withdrawn. In 1907 an Imperial Conference of representatives from the United Kingdom, Australia and New Zealand was held in London on the subject of Merchant Shipping Legislation. As a result of the decisions arrived at by this conference the Bill was again introduced in 1907 but lapsed. In 1908, 1910 and 1911 the Bill was presented but failed to become law, and it was not until 1912 that the assent of Parliament was given to the Bill. Even then the provisions of the Bill were not enforced over the period of the war, and actually it was not until July 1st, 1921, that the Proclamation enforcing the Bill was issued. Thus nearly 20 years elapsed between the time the Bill was first mooted, and the year in which it became law.

319. The effect of the Bill as finally enacted was to restrict the trade between Australian ports solely to Australian ships, because of the inability of British and other shipping countries to comply with the conditions of the Act. The Commonwealth derived its power to "regulate the coastal trade" from the Merchant Shipping Act, which in bestowing the power on Colonial Legislatures to legislate under this Act made it a condition that "all British ships must be treated in exactly the same manner as the ships of the British possession in which the Act or ordinance is made." The evident intention of this provision is that all British ships should have equal facilities for trade rather than that the provisions should be of such a nature as to enable some British ships to comply with the provisions while others could not possibly do so. In other words, the Merchant Shipping Act was designed to afford equal facilities to all British ships rather than to afford a high measure

of protection to Australian ships and to exclude British overseas ships from trade on the Australian coast. Notwithstanding this obvious intention the Federal Parliament evaded the spirit of the Merchant Shipping Act by providing for certain provisions in the Act with which ships trading between Australian ports must comply. These provisions were in excess of British Board of Trade requirements. They were inserted following legal advice obtained as to the powers of the Commonwealth from Hon. (now Sir) Robert Garran, who advised in part that:—

If the Merchant Shipping Act in a part extending to Australia provides that certain ships must carry three engineers the Commonwealth Parliament can require those ships when within its jurisdiction to carry four, but cannot make it lawful for them to carry two.

Following this line of reasoning, mere legal artifice was resorted to when framing the provisions of the Navigation Act aforesaid, in order to evade the spirit and meaning of the Merchant Shipping Act. As these provisions, many of them being of an unnecessary nature, apply to all British ships alike, it was claimed by the Commonwealth that the meaning of the Merchant Shipping Act had not been evaded, because "all British ships are treated in exactly the same manner" as provided for in that Act. Because of those unnecessary provisions British ships are unable to comply with the provisions of the Act, and as a result the magnificent service rendered by British overseas ships is lost to Australia. These ships cannot possibly compete in overseas trade if they comply with the provisions of the Navigation Act. The result is that the interstate trade has been abandoned by these ships, and once again Western Australia is at the mercy of a monopoly located for the most part in the Eastern States of Australia. The result has been higher freights, higher fares, lack of adequate storage space for cargoes, and isolation during shipping disputes.

320. Western Australia, owing to its lengthy coastline and distance from the manufacturing centres of Eastern Australia, is penalised much heavier by the Navigation Act than Victoria or New South Wales. These States are well served by railways owing to their relatively small area, and as their requirements are obtained, for the most part locally, the question of excessive shipping freights does not act detrimentally to these centres. On the other hand, as is shown elsewhere in this Case, the large volume of imports by Western Australia from the other States of the Commonwealth give a clear indication of the excess cost by way of freight paid by Western Australia as compared with other States.

321. In the course of his evidence before the Royal Commission on the Navigation Act, 1923-24 Mr. W. J. Stillman, a merchant of Cairns, Queensland,⁽¹⁾ stated that he had placed an order with the Calyx Porcelain Works in Western Australia for a crate of plates, cups and saucers and a sample of all the Company's manufactures. He stated that it was the intention to obtain goods made in Australia possibly at reduced prices. On getting the shipping receipts, however, he found it was impossible. The price of the shipment from Fremantle to Cairns was at the rate of 90s. for 40 cubic feet. The freight from London to Cairns, however, was only at the rate of 70s. per 40 cubic feet. Thus the prospective order was lost to Western Australia. Such a comparison also affords an excellent illustration of the excessive costs that Western Australia must bear in freight on goods purchased in Eastern Australia, and of the resultant increase in the cost of production in Western Australian industry generally. In overseas freights, too, the cost is increased owing to the loss of trade experienced by overseas ships on the Australian coast, which has to be made good by increased freights on overseas cargoes. To an exporting State like Western Australia this represents a serious disability in competing in overseas markets. Further, Western Australia requires every facility for promoting the freedom of trade with other countries of the world. Restrictive laws preventing this right to trade must re-act to the detriment of the State.

322. At a time when the people of the British Empire are seeking to testify to the unity of national relationship, it is unfortunate that, owing to the operation of the Navigation Act, the magnificent services of the British overseas ships cannot be availed of by Western Australian people for travel, for cargo and for trade in general between Western Australia and Eastern Australia.

The Embargo against the Importation of Sugar.

323. The operation of the sugar embargo and its adverse effect upon Western Australia are set forth in Appendix No. 25 at the end of this chapter, wherein it is shown how this questionable embargo increases costs, stifles natural opportunities for trade between Western Australia and Java, and hinders both the stone fruit industry and the jam-making industry in this

(1) Royal Commission on the Navigation Act at p. 4.

State. This hindrance of the stone fruit industry includes profitable opportunities for land settlement and development which would otherwise exist. Moreover, the direct burden of the sugar embargo is equivalent to a poll tax of £1 per head of the population of the State, or more than £400,000 annually. All these disabilities are imposed upon Western Australia in order to bolster up the industry in Queensland which, if concentrated in one block, would comprise an area less than twenty miles square. Other States of the Commonwealth enjoy some compensation, inasmuch as Queensland provides a market for their highly protected and highly-priced manufactures, but Western Australia bears its full burden without receiving any such compensation.

Other Disabilities.

324. As is indicated by the title of this chapter, the disabilities which have been enumerated herein are only some of the outstanding disabilities suffered by Western Australia as a State of the Commonwealth. The appendices at the end of Chapters 11, 12 and 13 of this Case, and particularly Appendix No. 56 (d) at the end of Chapter 20, afford a number of illustrations of the practical disabilities which have been outlined here in principle. Important, however, as all these disabilities are, they are nevertheless subordinate to the burden of Australian protection and interstate free trade, which is disclosed in Division Three of this Case.

APPENDIX No. 25.

A NOTE ON THE SUGAR EMBARGO.

The importation of sugar into the Commonwealth is prohibited by Proclamation issued under an authority alleged to be given by Section 52 of the Commonwealth Customs Act, 1901-1923, which deals with the matter of prohibited imports and reads as follows:—

52. The following are prohibited imports:—

- (a) Any reproduction except by permission of the proprietor of the copyright of any work copyrighted in the King's dominions, and of the existence of which copyright and date of its expiration written notice has been given to the Minister by or on behalf of the proprietor of such copyright.
- (b) False money and counterfeit sterling and any coin or money of the King's dominions not being of the established standard in weight or fineness.
- (c) Blasphemous, indecent or obscene works or articles.
- (d) Goods manufactured or produced wholly or in part by prison labour or which have been made within or in connection with any prison, gaol, or penitentiary.
- (e) Exhausted tea, and tea adulterated with spurious leaf or with exhausted leaves, or being unfit for human use, or unwholesome.
- (f) Oleomargarine, butterine, or any similar substitute for butter unless coloured and branded as prescribed.
- (g) All goods the importation of which may be prohibited by proclamation.
- (h) All goods having thereon or therewith any false suggestion of any warranty guarantee or concern in the production of quality thereof by any persons, public officials, government or country.
- (i) Mineral oil and mineral spirits unless imported under and subject to such restrictions as may be declared by proclamation.

The proclamation which purports to prohibit the importation of sugar was issued on 9th September, 1915, and stated *inter alia*:—

“Whereas by the Customs Act, etc., all goods which may be prohibited by proclamation are prohibited imports. And whereas it is desirable in the interests of the public welfare to prohibit the importation of sugar except with the consent in writing of the Minister for Customs, etc.”

Although it is evident that the real spirit underlying the section of the Customs Act above referred to was considerably strained in effecting the prohibition of sugar under this section, the fact remains that the importation of sugar into the Commonwealth is prohibited, and Australian consumers are forced to buy sugar produced mainly in Queensland at a price far in excess of prevailing world price levels. A survey of the severe effects of this embargo proves that the prohibition has been entirely inimical to the “interests of the public welfare.” Certain facts relative to the sugar industry in Australia are set forth hereunder to show the disastrous effects

of the existing embargo on the importation of sugar, particularly in Western Australia. These effects take the form of considerably increased costs to the consumer of sugar, a natural increase in the costs of production in industry, the loss of valuable potential markets, the prevention of certain types of land development, and an adverse effect on the progress of the fruit industry in Western Australia. It will become increasingly evident that the sugar industry in Australia, with the protection afforded it under the sugar embargo, gives a great advantage to one State, namely Queensland, over all the other States.

The belief held in some quarters that the sugar industry occupies a large area of the Northern portion of Australia is incorrect, because actually, although the Continent itself contains nearly 3,000,000 square miles, the Royal Commission of 1920 appointed by the Federal Parliament described the sugar fields thus:—

“If all the lands under sugar cane in Australia were concentrated in one block they would only occupy a space 20 miles by a little more than 14 miles, or a square with sides of about 17 miles.”

The total area under sugar cane has increased since 1920 however, owing, no doubt, to the high price of sugar, so that for the season 1930-31 the area reached its highest level, when 311,694 acres were under crop in Australia. *(1)Of this area, 296,070 acres, or about 95 per cent. was in Queensland.* This proportion has relatively continued during the past two years, and it will thus be realised that the benefits of the sugar embargo are out of all proportion to the burden of the cost borne by the consumers in all States.

The chief organisation for the refining and selling of Australian-grown sugar is the Colonial Sugar Refining Coy., Ltd., which was established in 1885 and registered under the Companies Act of New South Wales on July 1st, 1887. In the year 1915 this company joined with the Commonwealth Government and the Queensland Government in an agreement whereby the Commonwealth Government purchased all the sugar grown in the Commonwealth (of which 95 per cent. was grown in Queensland) which was then refined and distributed solely by the Colonial Sugar Refining Co., Ltd. The Commonwealth also agreed to meet management, interest and depreciation costs relative to the refining and distributing of sugar by the company. The price of sugar was also fixed from time to time by the parties to the agreement. These prices were fixed (1) for sugar sold within the Commonwealth, (2) for sugar exported. During the term of the agreement, the importation of sugar into the Commonwealth was totally prohibited. This agreement with certain modifications made from time to time is still subsisting and in operation; and the result is that the price of sugar to Australian consumers is greatly inflated, when compared with world parity prices. The monopoly given to the distributing company has forced the consumer in Australia, either to buy sugar at the high ruling price or manage without this essential item of diet.

Moreover under the existing arrangement, the surplus production of *Australian sugar is exported and dumped in other countries* at a price which makes it competitive with other sugar producers, and which is considerably below the fixed price prevailing for Australia. This fact drew pertinent

comment from the Commonwealth Auditor-General who in his report presented on 19th February, 1932, to the Federal Parliament, said:—

"In regard to the sugar industry in Australia, concerning which there are many debatable features, it is unquestionable that the arrangement made for financing it imposes on the community an enormous additional cost, adding to the expense of the home of rich and poor alike. World's prices of sugar to-day in Java and Cuba are about £6 per ton. Australian prices are about £36 per ton. On a local consumption of 300,000 tons, and after making various allowances, the cost of the industry upon the community is probably £7,000,000 a year.

"In this connection, it is difficult to refrain from comment on the great success achieved by the Colonial Sugar Refining Co., Ltd., which from a capital of £2,425,000, paid up in cash, has, out of profits, built up a business in paid up capital of £5,850,000 besides reserves, after allowing for depreciation of over £8,500,000. During many years, large dividends have been paid, besides a return to the shareholders of £3,900,000 in cash out of capital provided by bonuses. Although profits have slightly declined, those disclosed are still ample to pay a dividend of 12½ per cent. on the existing paid up capital, even in this time of depression, and when special arrangements have been made to raise the price of sugar artificially. There can be no doubt that this company has attained its present prosperous and monopolistic position as a result of the high price which the consumers of Australia have paid, and are continuing to pay, for sugar."

These figures have aroused public feeling from time to time, and several inquiries by boards and investigation committees have been made into the sugar question. And, although Western Australia has hoped that relief would result from these inquiries, the result has invariably been the renewal of the sugar embargo. For the most part, however, these inquiries have failed to show why one company in Queensland should enjoy the monopoly of sugar distribution in Western Australia over 2,000 miles away, while the latter State derives no compensating benefits; for it will be recognised that while portion of the financial disbursements from the industry filter through to the major cities of New South Wales and Victoria owing to their proximity to the sugar districts, no such compensations are received in Western Australia. Western Australia receives no benefit in the form of interstate trade to compensate for the huge contribution in the nature of excess sugar costs, which the State makes each year to the sugar interests of Queensland. In fact, it will be seen that while the *excess costs* of sugar to the State of Western Australia approximate £400,000 for the year 1932-33, the total value of exports of Western Australian origin to *all other States* of the Commonwealth for the same year was only £517,630, of which Queensland had £18,670. The value of Western Australian goods exported to the whole Commonwealth is thus practically swallowed in the excess cost of sugar alone. This excess cost of sugar amounting to over £400,000 thus represents a yearly contribution from Western Australia to the sugar interests of Queensland without any compensating benefit.

Further, no justification for the huge accumulation of profits resulting from the sugar distribution has been given. In 1922, a joint committee of public accounts of which Mr. J. M. Fowler was chairman was charged with the investigation of the sugar question. Commenting on the investiga-

tion Mr. Fowler says, " In the course of a lengthy inquisition into the tangled mazes of the subject I came to certain definite conclusions. *One of these was that the political influence of the wealthy sugar interests was so vast that relief was practically impossible*; another, that the key of the whole situation was the extraordinarily rich company, the Colonial Sugar Refining Company, who were able to throw a smoke screen around all their dealings with such effect that the committee was not able to get at any facts on which to base a recommendation; the third was that this difficulty was deliberately engineered because the company dared not let their huge profits become known.

As a result of the arrangement entered into by the Commonwealth Government, the Queensland Government, the planter, the millers, the workers, and the C.S.R., Australia has paid, over and above a fair price for its sugar, the enormous tribute of fifty million pounds.

No consideration of the continuation of the embargo on cheaper foreign sugar is complete unless the position of the C.S.R. is taken into account. It dominates the planters, the millers, the workers, even the Parliaments of Queensland and Australia. Every household in the Commonwealth pays its tithes to it. Through its influence, wielded with no fanfare of trumpets, it has been able to have its monopoly renewed without giving the people's representatives any opportunity of protesting against its conscienceless exactions"(1)

The enormous influence that the representatives of Queensland in the Federal Parliament (supported by this powerful company) may wield in Federal political spheres in comparison with the meagre representation of Western Australia, as explained elsewhere in this chapter, may be well imagined.

In 1933 following on a conference of the parties to the Sugar Agreement, it was agreed that the retail price of sugar should be reduced by $\frac{1}{2}$ d. the retail price of 4d. per lb. being fixed until 1936, when the existing agreement expires. The present wholesale price is £33 4s. per ton cash with order.

Western Australia, which in 1931 produced over 84 per cent. of the gold production of the Commonwealth, cannot but compare these favourable conditions preserved for the sugar industry in Queensland with the grossly unfair treatment meted out to the producers of gold who by Act of the Commonwealth Government were deprived wholly of the bounty on gold conferred by a law of the Commonwealth Parliament when that law had been less than twelve months in operation.

The effect on the cost of living in Western Australia which governs the wages in industry and thus directly affects the cost of production, may be gauged from the evidence of Mr. A. J. Reid (Assistant Under Secretary to the Treasury in Western Australia) before the Sugar Inquiry Committee in Perth on 16th September 1930. Mr. Reid said, "Particulars have been received from the Government Statistician of Western Australia showing the imports of sugar to this State. When the difference between the imported cost and the Australian sugar is applied to these figures, it is found that since 1915 the burden imposed upon the consumer in Western

(1) Melbourne *Herald*, 9th August, 1930.

Australia to assist the sugar industry is approximately £2,576,000. In addition to sugar a considerable quantity of jam is imported into Western Australia from the Eastern States, and the sugar contained in the jam has been purchased at the Australian price."

Dealing with the effect the cost of sugar had on the basic wage, Mr. Reid said that, on a conservative estimate, the added cost to the wage bill of Western Australia for the present year on account of the fact that Queensland sugar had to be consumed was between £350,000 and £400,000.

The proximity of Near Eastern countries to the northern portion of Australia offers lucrative markets for the exportable produce of Western Australia, particularly flour and meat. However, owing to the fact that the principal commodity which these markets offer in return is sugar, advantage cannot be taken of this exchange of trade. Java sugar is at present obtainable at £7 per ton, and trade agreements could be arranged for Western Australian primary exports in exchange for this sugar; but, as the embargo prevents this exchange of trade, the outlet for Western Australian goods is thus closed. This fact was also referred to by Mr. A. J. Reid before the Sugar Committee in the following words, (1) "Some time ago a delegation of Dutch merchants visited Western Australia with the object of building up trade between Java and this State. It was found that each country had many commodities required by the other, and the Dutch merchants were willing to enter into trade agreements, but the principal commodity which Java has for export, namely sugar, could not be imported into this State. If this trade arrangement could have been completed, Western Australia could have secured cheaper sugar from Java, and, at the same time, could have exported two of her principal commodities, namely flour and meat, to the people of that country. At the present time, the average annual amount of flour available for export from this State is in the vicinity of 80,000 tons. According to publications issued by the Dutch Government, the average annual requirements of flour for Java are in the vicinity of 200,000 tons. It is possible then, that if it were not for the embargo, Western Australia could export without difficulty all her surplus flour and build up a lucrative trade in regard to the export of meat. In return, she could obtain from Java all her sugar requirements at a reasonable price."

Relief could also be afforded the pastoral industry in Western Australia in a similar interchange of trade; and sugar cost would be decreased in the North-Western portions of Western Australia by at least £20 per ton; and the area would also escape the high freights and restricted service now prevailing as is described in Chapter 12 of this Case.

LAND DEVELOPMENT.

Western Australia has an abundant supply of land suitable for fruit-growing (and particularly for stone fruit) mostly situated close to the coastal areas of the State. This land is at present impossible of development, owing to the lack of markets for fruit produced. Local consumption accounts for only a small percentage of the existing production, so that, in order to develop these areas an export trade must be relied on. The quality of the fruit produced leaves no doubt that the fruit processing

(1) *West Australian*, 16th September, 1930.

industry could have a great future in Western Australia. At present, with the sugar embargo and the existing price of sugar, the successful development of the fruit industry is impossible. The pursuit of a progressive land development policy is the history of the development of Western Australia to date. The continuance of a similar policy is essential to the continued progress of the State. The hampering effects of a Queensland industry on this progress is therefore directly opposed to the best interests of Western Australia. The secretary of the Pastoralists' Association of Western Australia (Mr. W. L. Sanderson) in the course of evidence before the Sugar Inquiry Committee on 16th September, 1930, said in reference to the development of the fruit industry:—(1) "The supply of Java sugar at a reasonable price would automatically result in our being able to make full use of the excellent stone fruits this State is capable of producing. Even around the metropolitan area we have thousands of acres of country that has been proved suitable for the growing of these fruits, but very little use can now be made of it. While sugar land in Queensland has been forced up to £200 per acre, we have to be content to see much of our country lie idle. There is a large market for preserves and canned fruits in the Eastern countries and our State, which is eminently suited for the establishment of such an industry, is precluded from doing so, solely on account of the high cost of sugar."

SUMMARY.

A survey of the foregoing facts, therefore, proves that the sugar embargo is an *undoubted advantage to Queensland which grows 95 per cent. of the sugar produced in Australia, and to the Colonial Sugar Refining Company which makes profits ranging from a half to three-quarter million pounds yearly from the refining and distribution of sugar.* The embargo is in lesser measure some advantage to Victoria and New South Wales which receive compensating benefits from Interstate trade with Queensland, *but, to Western Australia which receives only negligible benefits from Interstate trade and which in fact pays in excess costs for sugar alone an amount almost equivalent to the value of all goods of Western Australian origin exported to all other States of the Commonwealth,* the embargo represents a severe impost on the people of Western Australia.

The argument has been advanced that the embargo is justified in as much as the population and development of that section of Queensland in which sugar is cultivated is essential to the adequate defence of Australia. It is difficult to find adequate substantiation for such a contention when it is realised that although the excess cost of sugar in Australia for the year 1931-32 was approximately £7,000,000, the total defence expenditure for the same year throughout Australian was £3,263,746. Thus over twice as much was paid for the defence of the sugar industry as was expended for the protection of the Continent.

(1) *West Australian*, 16th September, 1930.

DIVISION THREE.—SECESSION.

- Chapter 10—The Trade and Industry of Western Australia.
- Chapter 11—The Tariff.
- Chapter 12—Western Australia's Greatest Burden under Federation;
Australian Protection and Interstate Freetrade.
- Chapter 13—The Present Predicament of Western Australia.
- Chapter 14—The Main Grounds for Secession.
- Chapter 15—Independent Authorities—Their Recognition of
Western Australia's Disabilities under Federation.
- Chapter 16—The Two Economic Units of Australia.
- Chapter 17—Tariff Autonomy.
- Chapter 18—The Futility of a Constitutional Convention.
- Chapter 19—The Only Remedy—Secession.
- Chapter 20—The Secession Movement.

CHAPTER 10.—THE TRADE AND INDUSTRY OF WESTERN AUSTRALIA.

Preliminary.

325. Since the people's desire for Secession arises mainly from the crippling effect of the Federal protective tariff upon the industries of Western Australia—and notably upon the exportable products of wheat and wool upon which the economic structure of the State is primarily based—it is desirable that, before formally stating the main reasons for Secession, an account should be given of the trade and industry of Western Australia, of the Tariff, of the effect of Australian Protection and interstate freetrade upon the industries of Western Australia; and of the present predicament of the State.

Production.

326. The following table extracted from the latest Statistical Register of Western Australia (published in April, 1933) records the estimated value of production in Western Aus-

327. The collapse of world prices for wheat and wool very seriously affected Western Australia. Notwithstanding a substantial increase in the quantity production of wheat, wool and almost every other primary product, except timber, the national income fell by approximately one-third.

328. Further particulars of the agricultural and pastoral production of the State are contained in the following tables:—

YIELD OF PRINCIPAL CROPS, 1923-1924 TO 1932-1933.

Season ended last day of February.	Principal Grain Crops.			Hay of all kinds.	Potatoes.
	Wheat.	Oats.	Barley.		
	bushels.	bushels.	bushels.	tons.	tons.
1924	18,920,271	2,846,670	97,779	368,122	17,830
1929	33,790,040	3,554,609	189,560	421,504	18,774
1930	39,081,183	4,058,160	261,870	428,328	27,546
1931	53,504,149	3,292,560	185,316	491,595	26,318
1932	41,521,245	3,549,636	164,580	453,353	20,253
1933	41,791,866	3,603,447	135,243	485,368	22,309
Forecast, Season 1933-34 ...	36,185,892	4,811,766	...	*401,334	...

* Wheaten and Oaten Hay only.

AVERAGE YIELD PER ACRE OF PRINCIPAL CROPS, 1923-24 to 1932-33.

Season ended last day of February.	Principal Grain Crops.			Hay of all kinds.	Potatoes.
	Wheat.	Oats.	Barley.		
	bushels.	bushels.	bushels.	tons.	tons.
1924	11·42	11·78	11·27	1·12	3·74
1929	10·11	10·91	13·14	1·02	3·90
1930	10·95	10·54	11·08	1·02	4·57
1931	13·52	11·98	10·75	1·23	4·17
1932	13·14	13·25	11·33	1·19	4·14
1933	12·33	12·61	9·82	1·16	4·49
Forecast, Season 1933-34 ...	11·38	12·90	...	*0·98	...

* Wheaten and Oaten Hay only.

LIVE STOCK AND WOOL-CLIP.

Number of Live Stock in Western Australia on 31st December, 1923 to 1932, and Wool Production during each Year.

Year.	Horses.	Cattle.	Sheep.	Pigs.	Goats.	Camels.	Mules and Donkeys.	Wool-clip.	Wool Exported on Skin.
								lbs.	lbs.
1923 ...	181,944	953,764	6,595,867	61,478	30,824	6,122	10,609	45,285,052	5,240,388
1928 ...	160,876	837,527	8,943,002	49,243	19,762	4,119	9,560	58,865,734	5,025,250
1929 ...	159,528	836,646	9,556,823	64,522	17,800	3,446	9,252	67,150,720	5,411,874
1930 ...	156,973	812,844*	9,882,761	100,064	19,327	3,623	9,524	71,541,885	5,409,615
1931 ...	156,489	826,532	10,098,104	120,521	18,828	2,880	9,716	71,614,145	6,371,596
1932 ...	157,443	857,473	10,417,031	117,529	18,123	2,718	8,172	75,147,012	6,160,820

* Decrease on previous year is owing to transfer of cattle to Northern Territory runs

External Trade of Western Australia.

329. The external trade of Western Australia for the period 1829-1933 is summarised in the following table:—

EXTERNAL TRADE OF WESTERN AUSTRALIA.

Summary of Imports and Exports, 1829-1933.

Year.	Imports.	Exports.	Year.	Imports.	Exports.
	£	£		£	£
1829 ...	50,284	...	1911 ...	8,645,938	10,606,863
1830 ...	114,177	...	1912 ...	9,550,457	8,941,008
1840 ...	...	...	1913 ...	9,892,705	9,128,607
1850 ...	52,351	22,135	1914 c ...	4,683,941	5,209,548
1860 ...	169,075	89,247	1915 d ...	8,301,280	5,352,140
1870 ...	213,259	200,985	1916 ...	8,983,000	8,040,484
1880 ...	353,669	499,183	1917 ...	9,385,010	14,683,027
1890 ...	874,447	671,813	1918 ...	7,649,233	5,807,335
1891 ...	1,280,093	799,466	1919 ...	7,977,450	10,922,675
1892 ...	1,391,109	882,148	1920 ...	12,368,331	16,068,790
1893 ...	1,494,438	918,147	1921 ...	14,839,241	12,258,639
1894 ...	2,114,414	1,251,406	1922 ...	12,037,779	13,628,883
1895 ...	3,774,951	1,332,554	1923 ...	13,777,679	11,105,220
1896 ...	6,493,557	1,650,226	1924 ...	14,344,145	14,123,289
1897 ...	6,418,565	3,940,098	1925 ...	16,074,035	14,664,548
1898 ...	5,241,965	4,960,006	1926 ...	16,462,572	14,581,657
1899 ...	4,473,532	6,985,642	1927 ...	18,376,063	15,151,959
1900 ...	5,962,178	6,852,054	1928 ...	18,287,633	18,240,775
1901 ...	6,454,171	8,515,623	1929 ...	20,053,772	17,185,954
1902 ...	7,218,352	9,051,358	1930 ...	18,781,656	17,769,529
1903 ...	6,769,922	10,324,732	1931 ...	10,879,854	17,026,654
1904 ...	6,672,480	10,271,489	1932 ...	10,655,821	16,296,086
1905 ...	6,481,874	9,871,019	1933 ...	12,186,760	15,537,412
1906 ...	6,820,933	9,832,679			
1907 ...	6,522,998	9,904,860	Total for all		
1908 ...	6,178,197	9,518,020	years ...	404,168,883	428,051,774
1909 ...	6,406,960	8,860,494			
1910 ...	7,908,386	8,299,781			

330. Details of the more important products of Western Australia exported during the period of ten years ended 30th June, 1932, will be found in Appendix No. 26 at the end of this chapter.

331. In Appendix No. 27 at the end of this chapter, there is furnished a further table showing the countries with which trade has been conducted, and the extent of that trade since the year 1922-23. From that table it will be observed that the total external trade of the State during that period may be summarised as follows:—

PERIOD—1922-23 to 1932-33

Imports from the Eastern States	£85,000,000
Exports to the Eastern States	£13,000,000
Imports from Countries Overseas (including United Kingdom, £36,000,000)	£84,000,000
Exports to Countries Overseas (including United Kingdom, £72,000,000)	£158,000,000

332. For the year 1932-33 the imports into Western Australia totalled £12,000,000 (£8,000,000 interstate and £4,000,000 overseas) while the exports totalled £15,500,000 (£1,000,000 interstate and £14,500,000 overseas); the details being as follows:—

WESTERN AUSTRALIA—1932-33.				
Class.	Article.	Inter- state.	Over- seas.	Total.
IMPORTS.				
I.	Foodstuffs of Animal Origin, excluding Living Animals	In millions of £'s.		
		·514	·056	·570
II.	Foodstuffs of Vegetable Origin, Non-Alcoholic Beverages, etc.	1·166	·162	1·328
III.	Spirituuous and Alcoholic Liquors	·275	·035	·310
IV.	Tobacco and Preparations thereof	·602	·008	·610
V.	Live Animals	·186	·001	·187
VI.	Animal Substances (not Foodstuffs)	·009	·005	·014
VII.	Vegetable Substances and Fibres	·045	·046	·091
VIII.	Apparel, Textiles and Manufactured Fibres—			
VIIIa.	Apparel	1·531	·029	1·560
VIIIb.	Textiles	·303	·555	·858
VIIIc.	Bags, Sacks, and Manufactured Fibres	·085	·471	·556
IX.	Oils, Fats, and Waxes	·077	·667	·744
X.	Paints and Varnishes	·085	·003	·088
XI.	Stones and Minerals, including Ores and Concentrates	·092	·035	·127
XII.	Metals, Metal Manufactures, and Machinery—			
XIIa.	Machines and Machinery	·729	·274	1·003
XIIb.	Metals and Metal Manufactures	·891	·341	1·232
XIII.	Rubber and Leather and Manufactures thereof—			
XIIIa.	Rubber and Rubber Manufactures	·317	·007	·324
XIIIb.	Leather and Manufactures of Leather	·068	·002	·070
XIV.	Wood and Wicker, Raw and Manufactured	·154	·046	·200
XV.	Earthenware, Cement, China, Glass and Stoneware	·092	·049	·141
XVI.	Paper and Stationery—			
VXIa.	Paper	·059	·132	·191
XVib.	Stationery and Manufactures of Paper	·182	·064	·246
XVII.	Jewellery, Timepieces and Fancy Goods	·098	·029	·127
XVIII.	Optical, Surgical, and Scientific Instruments	·064	·012	·076
XIX.	Drugs, Chemicals, and Fertilisers	·378	·571	·949
XX.	Miscellaneous	·368	·217	·585
XXI.	Gold, Silver and Bronze Specie			
Total		8·370	3·817	12·187

WESTERN AUSTRALIA—1932-33.

EXPORTS.

Merchandise.	Inter- state.	Over- seas.	Total.
	In Millions of £'s.		
Wheat, 18,416,832 centals	4·661	4·661
Flour, 1,723,096 centals	·552	·552
*Wool, 70,887,000 lbs.	2·518	2·553
Fresh Fruit (Apples, etc.), 256,000 centals	·309	·329
Timber	·155	·262
All other Exports—			
Ships' Stores	·523	·561
Beef, Hides and Skins, Pearls and Shell, Sandalwood, Butter, Eggs, and Miscel- laneous	1·089	1·879
Total Merchandise	£9·807	£10·797
Gold	4·735	4·740
Grand Total	£14·542	£15·537

* All Greasy Wool with the exception of 2,695,264 lbs. of Scoured Wool valued at £118,000.

VALUES OF IMPORTS AND EXPORTS AT THE SEVERAL PORTS OF
WESTERN AUSTRALIA DURING THE YEAR ENDED 30TH
JUNE, 1933.

Year ended 30th June, 1933—
Value of Trade:

Ports, etc.	Imports. £	Exports.* £
Fremantle	11,195,567	12,988,691
Perth		
Albany	139,511	232,830
Broome	12,809	109,107
Bunbury	81,617	749,715
Busselton	.....	30,616
Carnarvon	9,946	99,026
Cossack	1,638	21,606
Derby	753	6,384
Esperance	313	60,302
Geraldton	148,426	959,453
Hopetoun	.....	.....
Onslow	3,428	17,047
Port Hedland	4,306	83,038
Wyndham	43,494	171,734
Overland by Rail	544,952	7,863
Total	12,186,760	15,537,412

* Inclusive of Ships' Stores.

333. It is of more than passing interest to observe in respect of the huge excess of Interstate imports over Interstate exports, that Western Australia provides a happy hunting ground for the manufacturers in every other State of the Commonwealth, but notably New South Wales and Victoria. The details of Western Australia's trade with each State are as follows:—

TOTAL VALUE OF IMPORTS INTO, AND EXPORTS FROM, THE STATE OF WESTERN AUSTRALIA, FROM AND TO THE OTHER STATES OF THE COMMONWEALTH DURING THE YEAR 1932-33.

Origin.	New South Wales.	Victoria.	Queensland.	South Australia.	Tasmania.	Northern Territory.	Total
IMPORTS—YEAR ENDED 30TH JUNE, 1933.							
Australian	£ 2,802,779	£ 3,800,158	£ 583,887	£ 639,378	£ 161,107	£ 33,621	£ 8,020,930
Oversea	124,762	194,240	4,873	24,436	217	655	349,183
Total	2,927,541	3,994,398	588,760	663,814	161,324	34,276	8,370,113
EXPORTS*—YEAR ENDED 30TH JUNE, 1933.							
West Australian	116,975	205,653	18,670	166,757	6,104	3,561	517,630
Other Australian	67,030	160,622	3,714	63,395	2,416	8,504	305,681
Oversea	34,756	57,348	16,116	23,791	471	2,106	134,588
Total	218,761	423,623	38,500	253,943	8,901	14,171	957,899

* Exclusive of Ship's Stores.

334. The disparity revealed by the foregoing table is even more pronounced than as shown by the total figures, because approximately one-half of Western Australia's recorded exports to the Eastern States are exports which are of overseas or other Australian origin, and not of Western Australian origin.

335. Another striking feature is disclosed by the table contained in Appendix No. 27 at the end of this chapter. In 1922-23 the value of Western Australia's exports to Britain was approximately £4,000,000; and her imports from Britain were about that figure too. In 1932-33 the exports to Britain had increased to nearly £10,000,000; the imports from Britain, however, instead of rising in unison with the increase of exports, had fallen £1,500,000. This affords a rather startling illustration of how the Australian Tariff has benefited the manufacturers of Melbourne and Sydney at the expense of Britain and of the people of Western Australia.

The Percentage of Western Australia's Production Exported.

336. The trade and production tables which have been furnished in this chapter significantly disclose that Western Australia exports almost two-thirds of her total production. On account of its small population Western Australia is not in a position to consume locally a large proportion of its primary products, and has, therefore, to rely on exports overseas to dispose of the surplus. Hence, in respect of wheatgrowing, which is the mainstay of the State, it will be found that an overseas market has to be found for 90 per cent. of the wheat produced. Wool is also an important product, and practically the whole of the total wool-clip must be marketed overseas.

The Predominance of the Primary Exporting Industries.

337. The almost total dependence of Western Australia upon primary production is made manifest by the foregoing statistics. Approximately 80 per cent. of the total production of Western Australia is from primary production. And it is her primary products—notably wheat, wool and gold—which comprise practically the whole of the exports of the State.

It has been explained in Chapter 3 of this Case how the discovery of gold in the 'nineties brought a rapid influx of population. With the diminution in the output of gold, however, anxiety was expressed as to the future of Western Australia. Farming had been carried on from the earliest days of the settlement with a fair degree of success, but the peculiar difficulties in cultivating the land, *e.g.*, the patchiness of the soil, the prevalence of sandy and gravelly soils in the areas of good rainfall, and the apparent unreliability of rain in areas of good soil, tended to mislead potential settlers as to the productive possibilities of the land in Western Australia as compared with those of the land in the Eastern States. In the result, the wheat production up to the year 1905 or thereabouts was insufficient to meet the State's requirements. Experience has shown, however, that while (with the exception of the extreme South-West where the rainfall is heavy) the rainfall is light, it has all the compensating advantages of being remarkably regular.

338. Despite these handicaps, however, successive administrations had faith in the ability of Western Australia to become a great primary producing State, and were prepared to offer inducements to intending settlers to take up the land. The State had two alternative courses to follow. It could

offer cheap land in the hope of attracting men with capital, or it could, in addition, offer to finance those who were willing to take up land but had little or no capital. The first course might have meant years of delay with grave difficulties for the State and for the Commonwealth. The second course might have involved the State in financial obligations far beyond its unaided ability to meet, having regard to the fact that its Government was now part of the Federation. The second course was adopted; a forward immigration policy was inaugurated and this, among other things, contributed in some degree to lessening the intensity of unemployment in England; and very liberal advances were made, with the result that the area under cultivation increased rapidly. The outstanding result of this experiment was the justification of the faith of those who believed in the lands of Western Australia. The State has now become one of the greatest primary producers in the Commonwealth, and by far the largest "per capita" exporter as is evidenced by the following table:—

OVERSEAS EXPORTS FOR EACH STATE, PER HEAD OF POPULATION, FOR THE YEARS 1926-27 TO 1931-32.

State.	1926-27.	1927-28.	1928-29.	1929-30	1930-31.	1931-32.
	£	£	£	£	£	£
New South Wales ...	26·755	21·615	20·157	14·429	12·669	13·745
Victoria ...	20·438	18·220	22·395	20·401	14·551	15·315
Queensland... ..	16·687	24·306	25·365	20·220	18·000	16·712
South Australia ...	30·232	31·315	25·566	25·848	17·339	20·937
Western Australia ...	34·503	41·430	37·700	38·384	37·681	35·143
Tasmania ...	11·159	15·910	12·495	13·561	10·579	12·760
Northern Territory	7·641	6·711	13·491	12·764	3·346	23·619
Average ...	23·772	22·991	22·888	19·489	15·918	16·556

Wheat and Wool.

339. Concerning the agricultural and pastoral industries generally, it may be mentioned that the lands in Western Australia are controlled by the State Government, through the Minister for Lands who is the Ministerial head of the Lands Department. All legislation in respect of land has recently been consolidated under the Land Act 1933. In the greater portion of the State—the vast pastoral area—land is largely occupied by pastoralists for the purpose of wool-growing, and in a lesser degree for cattle raising, at a moderate rental under long term pastoral leases (Leasehold Title only) granted by the Government in respect of blocks ranging from 20,000 to 50,000 acres up to 1,000,000 acres. It is estimated that 1 sheep to 25 acres is the average carrying capacity of the pastoral areas in Western Australia. The number of

sheep carried on a sheep station range from 12,000 to 50,000. The Wyndham Meat Works which is operated in the interests of the cattle-growers in the North, has been erected by the State Government in pursuance of its policy of promoting the development of the North.

340. In the agricultural portions of Western Australia—*i.e.*, in the South-West corner comprising an area of some 100,000 square miles—settlers may acquire a freehold title to the land. As part of the national policy of development, the conditions pertaining to land settlement are most liberal. Any head of a family or a male who has attained the age of 16 years may acquire up to 160 acres as a homestead farm out of any lands open for selection; no charge is made for the land, it being granted free, and a freehold title may be issued at any time after the first five years provided the settler has complied with the specified conditions of residence and improvements. In some portions of the extreme South-West where the land is suitable for intense culture, the area of free land is limited to less than 160 acres to any one selector. Any person over the age of 16 years may select 1,000 acres of cultivable land under terms of conditional purchase lease, so that he might ultimately acquire the freehold title of the land subject to his payment of the purchase instalments and his compliance with the general conditions of the lease. The purchase price of the land is paid by half-yearly instalments extending over a period of 20 to 25 years, and the instalment payments do not commence until the 6th year of the lease. The purchase price of the land varies from 3s. 9d. to 15s. per acre.

341. The history of land settlement in Western Australia is mainly the history of the major development of the State; the story of brave men and women of British stock who, with small purses and big hearts, have invaded the virgin forest for hundreds of miles inland and brought it under the plough; the story of the courage and resource, with which those pioneers have endured isolation and untold hardships, looking forward to the time when they would have built up an asset, which would guarantee their security and enable them to maintain themselves and their families in honour and independence. It is also, unfortunately, a record of "alternating hope and disillusionment." With the establishment of the pioneers in the outback, the railhead generally reached them some time later, or was brought to within twenty or thirty miles of their holdings. With the progress of time and the reinforcement of other hardy spirits ever ready "to try their luck on the land" there

developed country communities and townships, so that in Western Australia to-day we find a countryside population of about two hundred and thirty thousand scattered over an area larger than the area of Great Britain and served by approximately 3,000 miles of railways. There are some 400 railway stations and sidings, from which wheat is railed to the port; the population of the various agricultural districts averages from 400 to 7,000, Northam, the chief centre of the agricultural districts of the State, having a population of 5,000.

342. Always dependent upon the bounty of nature, the returns from the wheatgrowing industry have fluctuated with the seasonal variations; but it is interesting the record that only in the year 1914 was there almost total failure because of a very severe drought which occurred in that year.

343. Scientific research by the Government Agricultural Department has assisted the farmers in determining the class of wheat best suited to the soils of Western Australia. The wheat of Western Australia is a strong white wheat. It appeals to Continental millers on account of its colour properties, and they require it in their grist to tone down the colour of the Canadian wheats, and the darker coloured Argentine wheats. British millers usually mix about one-third of Australian wheat in their grist.

344. It is generally considered that for wheat growing an area of from 600 acres to 1,500 acres is necessary; but for mixed farming (fruit, dairying, pigs, potatoes, lucerne, etc.) in the extreme South-West, a settler needs only 50 to 160 acres. In respect of wheat growing, the State average yield per acre was about 12 bushels for 1932-33.

345. A Wheat Map of Western Australia, furnished by courtesy of the "Western Mail," is contained in Appendix 29 at the end of this chapter.

346. Agricultural development in Western Australia has proceeded largely on the normal soils, *i.e.*, those conforming to the climatic zones of the Continent. Areas of laterites, *i.e.*, sandy and gravelly soils of very low fertility, have been, and are being, cultivated and also brought under pasture; these soils require very liberal fertiliser treatment and need relatively infrequent cropping to ensure reasonable returns. The relatively sparse settlement in Western Australia is largely due to the necessity of spreading over large areas in order to make use of the normal soils. This fact helps to explain why, in order to enable about four million acres to be put under crop, over twelve million acres has had to be put

under cultivation in an area that aggregates over sixty-five and a half million acres—a circumstance which, in turn, has required extensive railway construction through sparsely settled country.

347. Approximately 195 million acres of land in Western Australia are held under pastoral leases, while the agricultural lands alienated or in process of alienation, comprise an aggregate area of 28 million acres. Out of the 28 million acres of farm lands under occupation, approximately 14 million acres are unimproved, and the balance of 14 million acres have been improved. The particulars of the improved farm lands of Western Australia are as follows:—

ACREAGE CROPPED, CLEARED, ETC.

	In millions of acres :		
	1913.	1923.	1933.
Under Crop	1.2	2.3	4.3
Artificially Sown Grasses			.4
New Ground prepared for next season	.4	.4	.1
Land in Fallow	.6	1.0	2.7
Previously Cropped, now used for Grazing etc.	.6	2.1	4.9
Ringbarked or Partially Cleared	3.9	2.5	1.8
Total Acreage under Cultivation	6.7	8.3	14.2

348. An area of 35 million acres is still available for selection for agriculture or agriculture and grazing combined. This is apart from an area of 200 million acres, which is available and awaiting development for pastoral purposes.

349. Of the 4.3 million acres under crop in 1933, no less than 3.5 million acres were in respect of wheat and wheaten hay; the remaining area comprising crops of various other agricultural and horticultural products including oats, barley, maize, pulse, root crops, and numerous other edible commodities.

350. All the above-mentioned agricultural lands are held by some 20,000 farmers, of whom about 10,000 are wheat farmers; of the latter, some 8,000 are clients of the Agricultural Bank.

351. It is the primary products of wheat and wool—the exporting industries—which provide so much of the national income upon which all the people of Western Australia, whatever their occupation, must ultimately depend. This would be the case even if all the capital invested in the agricultural industry and in the railway system of Western Australia were privately invested. The fact is, however, that of the total loan expenditure of Western Australia, which amounts to £83,000,000, no less than £29,000,000 has been incurred in the development of agriculture; while a further £26,000,000 has been expended in the construction of State-

owned railways, largely for the purpose of providing necessary transport facilities for the primary production of Western Australia.

352. The great dependence of the stability of Government finances of Western Australia upon the profitable conduct of its agricultural industries is apparent, for it is to the primary industries to which the State Government must directly look for the reimbursement of approximately two-thirds of the total liability for interest and sinking fund upon the total public debt of the State.

353. More than thirty-seven per cent. of the railway tonnage and thirty-three per cent. of the railway revenue is represented by the transport of wheat; but the story does not end there, since that only covers the freight from the countryside to the port. For a better appreciation of the position, there must also be considered the freight from the metropolis to the countryside—cornsacks, manures, machinery and equipment, fencing wire, building material, food and clothing.

354. Giving evidence before the State Royal Commission of 1931 appointed to inquire into the disabilities affecting the agricultural industry of Western Australia, Mr. John Thompson, general manager of Westralian Farmers' Ltd.—a farmers' co-operative organisation—submitted a considered statement to the effect that ⁽¹⁾“ whereas in 1921 only £572,000 was paid directly to the community, in 1931 £2,174,000 was distributed, directly, in wages for railwaymen, clerks, lumpers at sidings, and at ports, workers in superphosphate factories and through them, indirectly, to coal miners in Collie and trades people generally throughout the southern section of the State. In addition to this, the community received indirectly £3,469,500 paid out by the growers of wheat for commodities and services of all kinds. In other words, the values of the wheat produced in 1931 was sufficient to provide at least one-quarter of the population of Western Australia with a living somewhat better than that allowed for in the basic wage.”

355. A more detailed consideration of the expenditure in respect of development of agriculture and railways has already taken place in the discussion upon “The Loan Expenditure of Western Australia” (Chapter 6 of this Case).

The prices realised for wheat and wool in respect of each of the years 1913 to 1933 are as set forth in the table on opposite page.

(1) Report of Royal Commission on disabilities affecting the agricultural industry of W.A. at page 32.

Year.	Wheat (Average Export Price).	Greasy Wool (Average Price).
1913-14	3s. 8½d.	9·66d.
1914-15	8s. 0d.	8·92d.
1915-16	4s. 10½d.	11·45d.
1916-17	4s. 8d.	} Imperial Purchase Scheme, Average Value 15·5d., plus 3·69d.
1917-18	5s. 0½d.	
1918-19	5s. 4½d.	
1919-20	7s. 2d.	
1920-21	7s. 4d.	11·80d.
1921-22	5s. 6d.	12·50d.
1922-23	5s. 0½d.	18·15d.
1923-24	4s. 9d.	23·69d.
1924-25	6s. 1d.	26·95d.
1925-26	6s. 3½d.	16·49d.
1926-27	5s. 6½d.	16·86d.
1927-28	5s. 5½d.	19·50d.
1928-29	4s. 10½d.	16·44d.
1929-30	4s. 6½d.	10·29d.
1930-31	2s. 3½d.	8·59d.
1931-32	3s. 1½d.	8·46d.
1932-33	3s. 0d.	8·72d.

356. The following tables, prepared from information supplied by the Commonwealth and State statisticians, serve the purpose of illustrating the preponderance of wheat in the total production of Western Australia, as compared with the Eastern States; the position of Western Australia as one of the major wheat-producing States of the Commonwealth; and Western Australia's much greater reliance than any other State, firstly upon primary production, and secondly, upon securing an overseas market for the bulk of that production.

THE RELATION BETWEEN WHEAT AND OTHER CROPS, 1930-31

State.	Wheat for Grain as percentage of Cropped Area.	Value of Wheat Crop.	Percentage Value of Wheat Crop to total Value of Crops.
	%	(In millions of £'s).	%
Western Australia	82·04	6·10	69·1
South Australia	77·04	3·99*	49·4
New South Wales	75·39	6·72	33·4
Victoria	68·50	7·13	39·5

* 1930-31 Wheat Yield very low in South Australia.

THE RELATION BETWEEN WHEAT AND THE VALUE OF OTHER CROPS, PLUS DAIRY PRODUCE, 1930-31.

State.	Value of Wheat.	Value of Crops plus Dairy Produce.	Percentage Value of Wheat to Crops plus Dairy Produce.
	(In millions of £'s.)	(In millions of £'s.)	%
Western Australia	6·10	10·42	58·5
South Australia	3·99	10·64	37·6*
New South Wales	6·72	33·66	20·0
Victoria	7·13	33·38	21·4

* 1930-31 Wheat Yield very low in South Australia.

AUSTRALIA.

WHEAT STATISTICS 1930-31.

	Total value of all production.	Value of wheat production.	Percentage of wheat production to total value of production.	Percentage of wheat exported to total wheat production.
	(In millions of £'s.)	(In millions of £'s.)	%	%
New South Wales ..	123.8	7.2	5.76	52.79
Victoria ..	86.9	6.7	7.74	53.42
Queensland ..	53.2	1.0	1.94	..
South Australia ..	23.5	4.0	17.03	64.40
Western Australia ..	23.0	6.1	26.50	83.13
Tasmania ..	9.1	..	0.59	..
Northern and Federal Territory	.2	..	1.52	..
Total Commonwealth ..	£319.7	£25.0	7.83	61.08

AUSTRALIA.

STATEMENT SHOWING THE PERCENTAGE OF THE DIFFERENT CLASSES OF PRODUCTION TO TOTAL PRODUCTION, ACCORDING TO VALUE IN EACH STATE.
1930-31.

—	New South Wales.	Victoria.	Queens- land.	South Australia.	Western Australia.	Tas- mania.	All States.
Agriculture ...	16.3	20.7	24.1	34.5	38.4	28.3	22.1
Pastoral ...	24.5	15.4	31.3	15.0	18.6	12.3	21.7
Dairying, Farming, etc. ...	10.9	17.7	16.3	10.9	6.9	14.8	13.5
Forestry and Fishing	2.3	1.6	3.6	2.1	5.6	4.3	2.6
Mining ...	6.9	1.3	2.3	5.4	9.5	11.6	4.8
Manufacturing ...	39.1	43.3	22.4	32.1	21.0	28.7	35.3
	100	100	100	100	100	100	100

357. The Government Statistician of Western Australia has supplied information showing the value of exports overseas under the production headings used in the foregoing table, and from this information has been prepared a table showing the percentage of each head of production exported. Owing to the difficulty of ascertaining the exports of gold, due to the exports by the Commonwealth Bank of gold holdings, mining has been excluded from the table:—

PERCENTAGE OF AUSTRALIAN PRODUCE EXPORTED.
1930-31.

—	New South Wales.	Victoria.	Queens- land.	South Australia.	Western Australia.	Tas- mania.	All States.
Agriculture ...	25.9	33.2	11.8	53.9	60.6	37.0	34.3
Pastoral ...	55.2	73.6	56.7	50.1	64.2	36.4	59.1
Dairying, Farming, etc. ...	10.7	17.1	33.9	5.5	1.3	...	16.6
Forestry and Fishing	14.6	.6	6.8	7.3	53.1	4.3	15.7
Manufacturing ...	6.4	8.7	12.4	3.2	5.3	4.0	7.5

AUSTRALIA.

ESTIMATED VALUE OF PRODUCTION.

(As per Commonwealth Year Book, No. 25, p. 822.)

Year.	Agri- culture.	Pastoral.	Dairy, Poultry, and Bee Farming.	Forestry and Fisheries.	Mining.	Mann- facturing.	Total.
In Millions of £'s.							
1920-21 ...	112.8	93.6	52.6	11.1	21.7	101.8	390.6
1921-22 ...	81.9	75.1	44.4	10.5	20.0	112.5	344.4
1922-23 ...	84.2	97.1	43.5	11.1	20.3	123.2	379.4
1923-24 ...	81.2	110.2	42.1	11.9	22.22	132.7	400.3
1924-25 ...	107.2	127.3	45.2	12.3	24.6	138.0	454.6
1925-26 ...	89.3	113.5	48.3	12.8	24.6	143.2	431.7
1926-27 ...	93.3	111.7	47.0	12.8	23.9	153.6	447.3
1927-28 ...	84.3	124.5	50.3	12.2	23.0	158.6	452.9
1928-29 ...	89.5	116.7	50.7	11.6	19.5	159.8	447.8
1929-30 ...	77.1	84.5	49.4	11.4	17.9	149.2	389.5
1930-31 ...	70.5	69.5	43.1	8.3	15.3	113.0	319.7

358. In 1929-30 the production of the manufacturing industries accounted for approximately 38 per cent. of the total production of Australia. The increase in manufacturing was greater than that of any other section, and, as indicated elsewhere in this Case, has been, for the most part, of value to States other than Western Australia. The statistics reveal that in this State the tariff policy has been accompanied by a relative decline in secondary industries, and by the importation in increasing volume of manufactured goods from the States, which the Tariff has advantaged.

359. The table in Appendix No. 31 at the end of this chapter will serve to give some idea of the remarkable progress that has been made in the agricultural and pastoral industries in Western Australia, a result which could not have been achieved but for liberal financial assistance by the Government. In the acreage under crop, and in the production of wheat, wool, oats, and potatoes, the percentage of increase in Western Australia from the year of Federation to 1932 has far exceeded that of any other State. It is disclosed by the table to which reference has been made that in Western Australia the acreage under crop has increased from 201,000 acres in 1901 to 3,961,000 acres in 1932—an increase of 1,867 per cent. as compared with 166 per cent. in respect of the State with the next highest percentage of increase; that the wheat production increased from 774,000 bushels in 1901 to 41,521,000 bushels in 1932—an increase of 5,259 per cent. as compared with 327 per cent. in respect of the State with the next highest percentage of increase; that the production of oats increased

by 4,006 per cent. and the production of potatoes by 318 per cent., as compared with 524 per cent. and 67 per cent. respectively in respect of the State with the next highest percentage of increase; that the number of cattle increased from 398,000 to 826,000 and the sheep from 2,625,000 to 10,098,000—increases of 107 per cent. and 284 per cent. respectively as compared with 47 per cent. and 122 per cent. respectively in respect of the State with the next highest percentage of increase; and that the wool production of Western Australia increased from 14,000,000 lb. in 1901 to 78,000,000 lb. in 1931-32—an increase of 445 per cent. as compared with 160 per cent. in respect of the State with the next highest percentage of increase.

360. It is difficult to visualise the position in which Western Australia would have found itself if a vigorous policy of land settlement had not been undertaken—if this increased primary production which has been the main source of wealth to Western Australia had not been sought after and secured. Development would have been slow, and in all probability the State would have become a burden on the Commonwealth.

361. But, in the light of more than thirty years' experience of Federation and the Federal policy of Protection, to what purpose and at what cost has this development of Western Australia been achieved? This is a question which will be answered in Chapter 12 of this Case.

362. Pressure of time and space precludes a detailed discussion upon many other important, but subordinate primary industries of Western Australia, *e.g.*, dairying potato-growing, fruit-growing, and timber. There is, however, one industry which is in a class of its own and which merits special mention; that is the mining industry.

GOLD.

363. The mineral resources of Western Australia are extensive and the mining industry has played a very important part in the progress of the State.

364. In Appendix No. 30 at the end of this chapter there is furnished a map showing the boundaries of the goldfields in Western Australia.

365. The value of gold production far exceeds that of any other mineral, and out of a total of all mineral production (including coal) of approximately £186,000,000 up to 31st December, 1932, no less than approximately £173,000,000 is accounted for by gold.

366. The real progress of Western Australia commenced with the discovery of the Coolgardie Goldfields in 1892. The importance of the gold mining industry has always been recognised by the State Government, which has made every effort to encourage and maintain that industry, although in Chapter 12 of this Case it is shown how Federal policy would have completed the extinction of the gold mining industry in Western Australia but for the timely and unexpected rise in the price of gold.

367. The capital invested in the gold mining industry of Western Australia has been almost wholly derived from London; and shareholders have had returned to them approximately £30,000,000 in dividends, and another £10,000,000 might reasonably be added to account for profits realised and received other than by the declaration of a dividend.

368. Details of the yearly gold production of Western Australia are as follows:—

WESTERN AUSTRALIA.

Year.	Gold Production.		Year.	Gold Production.	
	Quantity.	Value.		Quantity.	Value.
	fine ounces.	£		fine ounces.	£
1870 ... ..	...	...	1911	1,370,867	5,823,075
1880 ... ..	...	...	1912	1,282,658	5,448,385
1890	20,402	85,664	1913	1,314,043	5,581,701
1891	27,116	115,182	1914	1,232,977	5,237,353
1892	53,272	226,284	1915	1,210,112	5,140,228
1893	90,203	421,385	1916	1,061,398	4,508,532
1894	185,299	787,099	1917	970,317	4,121,645
1895	207,110	879,748	1918	876,511	3,723,183
1896	251,619	1,068,808	1919	734,066	3,748,882
1897	603,846	2,564,977	1920	617,842	*3,473,392
1898	939,489	3,990,698	1921	553,731	*2,953,693
1899	1,470,605	6,246,732	1922	538,246	*2,525,811
1900	1,414,311	6,007,611	1923	504,512	*2,232,186
1901	1,703,417	7,235,053	1924	485,035	*2,255,927
1902	1,871,037	7,947,661	1925	441,252	1,874,320
1903	2,064,801	8,770,719	1926	437,343	1,857,716
1904	1,983,230	8,424,226	1927	408,352	1,734,571
1905	1,955,316	8,305,054	1928	393,408	1,671,093
1906	1,794,547	7,622,749	1929	377,176	1,602,142
1907	1,697,554	7,210,749	1930	417,518	*1,864,442
1908	1,647,911	6,999,882	1931	510,572	*2,998,137
1909	1,595,269	6,776,274	1932	603,561	*4,403,642
1910	1,470,632	6,246,848	1933	637,207	4,886,254
			Total for all years	40,058,306	177,677,722

* Australian Currency includes premiums 1919 to 1924, £2,589,602, and 1930-1933, £4,931,272

369. The total gold produced in each of the goldfields in Western Australia to the 31st December, 1932, is as follows:—

Goldfield.	Total in fine ozs.
Kimberley	18,759
Pilbara	240,505
West Pilbara	28,288
Ashburton	9,053
Gascoyne	1,009
Peak Hill	276,589
East Murchison	2,014,919
Murchison	3,345,084
Yalgoo	191,303
Mount Margaret	3,423,980
North Coolgardie	2,062,940
Broad Arrow	547,814
North-East Coolgardie	758,009
East Coolgardie	21,878,937
Coolgardie	1,291,738
Yilgarn	1,122,278
Dundas	658,988
Phillips River	90,694
Donnybrook	842
State generally	9,186
Balance not reported	1,450,183

370. There is a population of some 22,000 in Kalgoorlie and the surrounding goldfields areas. The population at Wiluna (East Murchison) is approximately 3,000.

371. From the discovery of gold in 1892, gold production in Western Australia showed a gradual annual increase until it reached its peak period in 1903 when the output for that year was valued at £8,770,000. From then onward, however, the gold production steadily declined, until in 1929 the output had fallen to a value of only £1,602,000. This decline, as is shown in Chapter 12 of this Case, was due largely to the burden placed upon the mining industry by the Federal policy of protection.

372. Western Australia produces by far the largest proportion of the total gold production of Australia. This proportion is approximately 84 per cent. The Royal Mint in Western Australia has issued more than 106,000,000 sovereigns.

373. During the Great War, from 7th August, 1916, to January, 1919, when the Dollar-Sterling Exchange was pegged at about 4.76½ dollars, Western Australia produced some

2,500,000 standard ounces of gold worth approximately £10,000,000 at the standard price of £3 17s. 10½d. per standard ounce. On account of the embargo against its exportation this gold was acquired by the Commonwealth Treasury from whom the Imperial Government purchased some £13,500,000 worth of gold in connection with war finance and made payment therefor at the standard price of £3 17s. 10½d. per standard ounce. The sacrifices made by the mining industry of this State through being deprived of a free market for gold were very substantial. Moreover, further Western Australian gold gravitated to the Commonwealth Treasury at the standard price, and was used as a reserve for the Australian note issue. Upon the strength of the gold taken over by the Commonwealth some £3,000,000 in notes was printed and loaned to the State at interest—these notes were redeemable in gold, but subsequent legislation by the Commonwealth has deprived the State of the right to secure gold for Australian notes. The profit on the sale of the gold has gone to the Commonwealth whereas it rightly belonged to the State.

374. The gold mining industry of Western Australia has done a great deal for the Commonwealth and for the State and, indeed, for the Empire. It is an industry which is certainly worth maintaining, although the Federal Parliament, by its past actions, does not appear to have viewed the industry in this light. On the other hand, the State Government has persistently done all in its power to afford to this very valuable industry that encouragement and assistance necessary for its continued existence.

375. The public requirements of the Goldfields, with the exception of Post and Telegraphs (and even these services were inaugurated by the State Government before Federation) and the Health Laboratory at Kalgoorlie, have always been and still remain a function of the State Government. In this direction 1,260 miles of railway have been built; 2,000 miles of road made; 350 miles of piping to deliver 5,000,000 gallons of water per day have been laid down; and innumerable reservoirs of water have been constructed throughout the Goldfields. It is doubtful, judged by our experience of lack of sympathy by the Federal authority towards this import-

ant industry, whether such an enterprise as the ⁽¹⁾ Coolgardie Water Scheme would ever have been undertaken had the responsibility been a Federal one instead of a State matter.

376. Ample evidence of the assistance rendered by the State to the mining industry is afforded by the following facts and figures which are quoted from official sources:—

STATEMENT SHOWING EXPENDITURE TO 30TH JUNE, 1933,
ON THE DEVELOPMENT OF THE GOLDFIELDS AND
VARIOUS LOSSES INCURRED BY THE STATE
TREASURY OF WESTERN AUSTRALIA

Goldfields Water Supplies—	£	£
Capital Expenditure	5,083,000	
Revenue Expenditure in excess of Revenue Collections	2,169,000	
		7,252,000
Goldfields Railways—		
Capital Expenditure	2,000,000	
Additions and Improvements	313,000	
		2,313,000
Crushing Facilities—Loss on State Batteries		149,000
Grants to Miners under Miners' Phthisis Act		363,000
Payment to Mine Workers' Relief Fund		95,000
Premiums paid to assist Mining Companies under Workers' Compensation Act		83,000
Subsidy on Cartage of Ore for treatment		60,000
Other Goldfields Expenditure—		
Development Expenditure from Loan Funds	1,266,000	
Development Expenditure from Revenue (Net)	1,273,000	
Assistance to Mining Trust Account	34,000	
Other	113,000	
		2,686,000
Grand Total of Net Expenditure		£13,001,000

377. True, it may be, that after years of consistent agitation the Federal Parliament in 1930 passed legislation granting a bonus of £1 per ounce for 10 years upon all gold produced within the Commonwealth in excess of the average production of the previous three years; but before a single payment had been made the matter was reviewed, and the amount of the bonus reduced by 50 per cent., and in 1932 the total suspension was enacted. This very naturally caused strong protests to emanate from Western Australia, it being felt that as this State produces by far the largest proportion of the Commonwealth's total, and had by far the best prospects of

(1) For a fuller description of Goldfields Water Scheme, see Chapter 3.

increased production, it was in the nature of unfair discrimination against Western Australia, as well as an act of repudiation. The bonus was urged for a definite minimum period of years mainly to encourage the introduction of fresh capital to improve the mining and treatment methods, and it was felt that unless the bonus was guaranteed for a lengthy period it would not achieve the desired objective. The Federal Government and Parliament, however, took the view that as the price of gold, plus the exchange premium, was satisfactory from the viewpoint of the gold producer, no further assistance by the Federal Treasury was justified. These circumstances, however, by themselves could not be accepted as certain to continue long enough to warrant an investment in a direction that would not give any return for a lengthy period. As an example of the time necessary to develop and equip a big mine, it might be pointed out that the Wiluna mine incurred a very large capital expenditure over a period of several years, before any returns were received. This act of repudiation and discrimination on the part of the Federal Government against the gold mining industry seriously shook the confidence of mining investors.

378. In marked contrast to this action of the Federal Government is the action which has been taken by the State Government since the increase in the price of gold and the brighter prospects of the mining industry in consequence of that increased price.

379. In order that the industry may derive as much benefit as possible from the enhanced price of gold, the State Government is at present financing and equipping prospectors to the extent of approximately £1,500 per week.

380. On the whole, it may fairly be said that the history of gold mining in Western Australia, is a story of burden upon burden being imposed by the Commonwealth; and of one assistance after another being rendered by the State.

381. The depreciation in the currency and the increase in the price of gold have occasioned a revival in the gold mining industry. Recently the price of gold touched its highest level when in Australian currency it rose to £8 9s. 4d. per ounce (inclusive of the Exchange premium, etc. of 100.87 per cent.). The gold yield for the year 1932 totalled 605,561 fine ounces, of a value in Australian currency of £4,403,642. The output exceeded that of the previous year by 94,989 fine ounces. This is the highest yield since 1920, when the output was

617,842 fine ounces, but the value was £3,475,392. The value of the gold production was greater in 1932 than in any year since 1916, when it reached £4,508,532 for an output of 1,061,398 fine ounces. To make another comparison, the value of the gold production in 1932 was slightly more than 50 per cent. of that of our peak year, viz. 1903, when the value was £8,770,719 for a yield of 2,064,801 fine ounces.

382. It is most encouraging to know that the gold mining companies are using much of their profits to instal modern plant, and to equip their mines so that low-grade ore can be treated profitably.

383. A glance at the map in Appendix No. 30 reveals the magnitude of the great gold belt of Western Australia; and, free from the burdens of Federation, this industry would offer wonderful prospects for the profitable investment of further British capital, resulting in the general development of Western Australia and the replenishment of the gold reserves of the Empire.

The Absence of Secondary Industries.

384. The insignificance of manufacturing pursuits in Western Australia is apparent from the statistical tables which have already been furnished in this chapter, and from the further tables which are contained in Appendix No. 28 at the end of this chapter and in appendices Nos. 46 to 48 at the end of Chapter 12 of this Case.

385. Practically the whole of the manufacturing industries in the State are of a domestic nature, which could not under normal circumstances be carried on outside the State; and the limitations they suffer deprives Western Australia of that wide variety of occupational opportunities which leads naturally to a growing home market for raw materials and the primary industries. As the retardation of the manufacturing industries of Western Australia has been due to Federation, further discussion upon this question is postponed until it is again considered in Chapter 12 of this Case.

APPENDIX No. 25.

WESTERN AUSTRALIA.

VALUE OF THE MORE IMPORTANT PRODUCTS OF WESTERN AUSTRALIAN ORIGIN EXPORTED, INCLUDING SHIPS' STORES, AND OF THE TOTAL EX-PORTS, ALSO THE PRODUCTION OF COAL, DURING EACH OF THE TEN YEARS ENDED 30TH JUNE, 1923 TO 1932.

Articles.		1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
Gold-Specie	£	c 2,218,887	c 1,921,764	c 516,140	852,030	735,663	595,404	1,233,476	4,655,803	5,782,862	1,243,313
	...	d 27,607	d 404,836	d 171,689	207,350	267,429	75,287	51,933	11,012	5,834	3,673,297
Gold, Uncoined	...	41,923,043	43,875,108	35,015,476	49,689,088	53,787,555	61,244,931	57,046,094	62,802,493	70,783,123	96,556,796
	...	3,232,594	3,237,152	3,234,300	3,527,865	3,518,313	4,062,916	3,910,886	2,770,113	2,386,538	2,345,570
Timber	...	997,434	1,397,713	1,477,997	1,522,958	1,655,692	1,262,921	960,435	803,154	503,696	357,953
	...	545,977	590,248	477,437	461,303	376,004	553,134	369,089	369,659	397,559	107,559
Hides and Skins	...	252,378	337,919	285,562	289,433	255,751	186,129	183,785	178,601	174,743	193,884
Pearls and Shell	...	102,912	248,713	186,775	238,203	199,754	147,426	225,298	22,298	43,790	40,546
Sandalwood	...	21,101	20,096	40,136	19,056	15,618	27,662	35,850	40,628	35,353	42,016
Tanning Bark	...	51,245	55,518	31,804	2,659	73	301	1,264	499	...	...
Copper—Ingot, Ore, and Matte	...	9,080	18,770	14,635	11,740	13,087	12,193	14,889	14,612	5,173	3,079
Tin, Dressed and Ingot	...	10,961	11,923	12,277	10,773	6,840	5,871	4,911	7,233	3,050	4,041
Silver—Bar, Ingot, etc.	...	73,199	54,076	93,310	92,849	54,755	3,928	5,315	9,786	1,375	400
Lead and Lead Ore, Concentrates and Pig	...	3,217,691	6,555,226	8,091,572	7,004,807	9,797,801	15,716,224	15,654,059	14,971,143	25,464,117	22,120,610
Wheat	...	1,471,100	2,542,626	5,158,020	4,186,714	4,667,005	6,994,528	6,692,046	6,120,218	5,288,352	5,323,740
Flour	...	1,197,450	1,584,343	1,508,132	1,841,942	1,886,580	1,707,953	1,597,294	1,381,387	1,719,329	1,772,629
Mutton and Lamb	...	865,510	824,743	968,501	1,294,311	1,161,324	1,098,168	892,323	770,177	635,518	580,729
Beef	...	27,452	12,825	...	...	...	297,261	...	...	854,908	2,113,217
Meat in tins	...	9,954,698	10,646,717	7,106,375	8,118,705	6,697,052	11,026,131	9,313,392	11,381,415	11,316,134	11,239,948
Fruit, fresh	...	152,349	135,038	99,062	120,117	99,025	136,082	112,765	136,242	123,143	117,649
All other Articles	...	1,126	...	...	347,586	546,231	701,034	419,262	362,457	509,829	276,704
Total, Exports	...	69	...	...	9,273	11,268	14,079	10,344	9,170	11,750	4,959
	...	175,871	136,877	104,975	148,548	244,901	115,436	360,719	113,896	230,662	340,960
Coal	...	237,040	188,947	246,535	232,149	334,372	191,915	533,354	156,194	533,354	430,788
	...	995,764	1,110,542	1,148,378	1,505,974	1,678,896	2,052,606	1,796,846	1,696,811	1,437,755	1,770,298
Total, Exports		11,105,220	14,123,239	14,604,548	14,581,057	15,151,959	18,240,775	17,185,954	17,769,529	17,026,654	16,296,085
Coal	...	425,086	422,057	440,482	438,137	492,134	514,797	531,267	541,617	479,275	390,030
	...	372,130	365,867	371,152	364,304	408,770	414,451	415,926	416,350	371,956	281,174
Total, Exports		51,874	33,079	45,231	34,032	49,761	29,174	32,941	34,663	16,176	9,763

c Average value of sovereign during 1922-23, £1-0872; 1924-25, £1-0670, d Average value of fine ounce during the year 1922-23, £4-5043; 1923-24, £4-6181; 1924-25, £4-6323, e Included in coal production.

APPENDIX No. 27.

WESTERN AUSTRALIA.

VALUE OF IMPORTS INTO WESTERN AUSTRALIA DURING THE UNDERMENTIONED PERIODS.

(In Millions of £s.)

Country of Origin.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	Total.
United Kingdom ...	4.3	3.7	4.2	3.9	4.3	4.1	4.0	3.8	1.5	1.2	1.5	36.5
British Possessions ...	1.8	1.1	1.2	1.3	1.7	1.8	1.9	1.6	1.0	.6	.9	13.9
Foreign Countries ...	2.2	2.8	3.6	3.6	4.4	4.0	4.4	4.1	1.8	1.3	1.7	33.9
Total Overseas ...	7.3	7.6	9.0	8.8	10.4	9.9	10.3	9.5	4.3	3.1	4.1	84.3
Other Australian States ...	6.4	6.7	7.1	7.6	8.0	8.4	9.7	9.3	6.5	7.5	8.0	85.8
Total, Imports ...	13.7	14.3	16.1	16.4	18.4	18.3	20.0	18.8	10.8	10.6	12.1	169.5
Value of Imports per head of mean population (to nearest £) ...	£40	£40	£44	£44	£48	£46	£48	£44	£25	£25	£28	...

Appendix No. 27—continued.

VALUE OF EXPORTS FROM WESTERN AUSTRALIA DURING THE UNDERMENTIONED PERIODS.

(In Millions of £s.)

	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	Total.
Exports to—												
United Kingdom ...	4.1	4.8	5.4	5.2	4.5	6.0	4.5	8.9	8.9	10.0	9.8	72.1
British Possessions ...	3.2	3.3	1.8	3.3	3.0	3.4	4.9	3.6	2.4	.7	.6	30.2
• Foreign Countries ...	2.7	4.5	6.2	4.7	6.2	7.5	6.6	4.1	4.9	4.6	4.1	56.1
Total Overseas ...	10.0	12.6	13.4	13.2	13.7	16.9	16.0	16.6	10.2	15.3	14.5	158.4
Other Australian States ...	1.1	1.5	1.3	1.4	1.4	1.3	1.2	1.1	.8	.9	1.0	13.0
Total, Exports ...	11.1	14.1	14.7	14.6	15.1	18.2	17.2	17.7	17.0	16.2	15.5	171.4
Value of Exports per head of mean population (to nearest £) ...	£32	£40	£40	£39	£39	£46	£41	£42	£39	£38	£36	...

* Includes Ships' Stores.

APPENDIX No. 28.

WESTERN AUSTRALIAN INDUSTRIAL ESTABLISHMENTS.
(Exclusive of Mines.)*Output of the Principal Articles manufactured in Industrial Establishments of Western Australia, 1922 to 1931-32.*

Articles, etc., Produced or Treated.	1922.	1927-1928.	1928-1929.	1929-1930.	1930-1931.	1931-1932.
Hides tanned ...	No. 42,823	48,513	50,628	55,092	94,099	35,860
Skins tanned ...	28,653	10,549	19,417	6,482	9,666	12,781
Leather produced ...	1,558,074	1,842,787	1,952,041	1,787,637	1,224,321	1,248,396
Bricks ...	No. 28,598,955	53,817,694	60,821,927	48,156,746	13,923,006	15,291,291
Line burned ...	9,808	8,359	11,355	9,229	160	700
Timber sawn or hewn ^a	sup. ft. 179,059,276	227,631,264	174,324,082	159,042,788	112,483,555	57,090,364
Bacon ...	lbs. 1,724,602	2,500,788	2,353,628	2,557,022	2,869,952	2,881,081
Butter ...	35,758	91,187	84,824	44,400	42,890	23,756
Ham ...	1,518,092	2,847,929	3,022,324	4,723,132	7,102,515	8,347,833
Confectionery ...	2,820,629	4,720,856	5,035,741	4,564,098	4,804,199	4,397,300
Jam ...	370,800	^b	^b	^b	365,064	530,923
Pickles ...	122,092	232,144	213,092	237,799	187,296	166,660
Sauce ...	177,059	394,750	386,812	348,544	400,565	450,194
Vinegar ...	807,344	1,706,952	1,216,600	1,539,862	1,107,439	1,241,712
Wheat ground ...	4,479,700	5,980,113	5,644,930	5,713,943	6,278,915	6,290,640
Flour made ...	94,316	127,246	119,550	120,595	132,090	131,165
Aerated Waters ...	872,935	1,081,165	1,023,167	1,049,288	711,434	^d 639,047
Cordials ...	109,198	26,885	24,714	23,671	21,955	13,107
Beer and Stout ...	4,983,140	6,010,532	5,934,303	6,008,184	5,028,182	4,306,461
Tobacco made ...	1,635	107,400	192,013	228,034	202,321	266,687
Cigarettes made ...	No. 16,384,000	9,837,074	9,837,074	10,634,784	13,718,393	10,538,184
Do. ...	lbs. 34,100	20,440	21,830	21,830	30,174	23,138
Cigars made ...	No. 1,339,933	1,404,225	1,404,225	1,301,784	927,040	1,160,300
Do. ...	lbs. 14,480	14,998	14,998	13,718	8,860	9,840
Boots and Shoes ...	314,686	360,526	356,300	316,434	275,093	353,328
Electric Light used ...	12,416,180	21,944,352	24,750,750	29,814,550	27,856,037	33,995,105
Do. Power ...	28,140,706	62,505,810	64,709,005	72,585,842	70,244,357	85,837,697
Gas manufactured ...	182,379,500	330,239,700	361,561,400	408,213,400	423,549,300	393,262,000
Value, Total Industrial Production ^e	£ 5,789,786	7,690,123	7,968,649	7,488,060	5,281,111	4,605,764

^a Including the following quantities (in super. feet): 1922-29, 470,578; 1927-28, 64,451,395; 1928-29, 29,281,146; 1929-30, 36,071,034; 1930-31, 38,158,959; 1931-32, 18,635,594.
^b Not available.
^c Added value, being the total value of output of all Industrial Establishments *minus* the values of raw materials and fuel, etc.
^d Equals approximately 735,000 gallons and in addition 87,612 gallons of bulk bott beer, etc., were made.

NT COMMONWE ls and Averages of

NS.	Av.	SO
786	18.37	24
836	12.91	28
713	4.76	34
829	14.70	30
477	11.89	28
339	6.65	35
584	17.59	24
561	11.54	26
179	20.75	22



WHEAT

WHEAT



WHEAT

WHEAT	WHEAT	WHEAT
786	18.37	24
836	12.91	28
713	4.76	34
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WHEAT

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Production note: Please see hard copy, fold-out map could not be digitised due to size.
Appendix No. 30. - Gold Map of Western Australia [pp. 231-232].



APPENDIX No. 31.

PROGRESS IN THE AGRICULTURAL AND PASTORAL INDUSTRIES BETWEEN 1901 AND 1932.

—		New South Wales.	Victoria.	Queensland.	South Australia.	Tasmania.	Western Australia.	Commonwealth.
Area under Crop, 1901	... acres	2,446,767	3,114,132	457,397	2,398,680	224,352	201,338	8,813,606
" " 1932	... "	5,107,949	5,407,109	1,216,402	5,219,870	247,353	3,961,459	21,166,900
Increase per cent.	...	108.73	73.63	165.94	120.28	10.25	1,867.56	140.16
PRODUCTION—								
Wheat, 1901	... bush.	16,173,771	17,847,321	1,194,088	11,253,148	1,110,421	774,653	48,353,402
" " 1932	... "	54,966,000	41,955,856	3,263,894	48,093,102	1,822,913	41,321,243	190,612,188
Increase per cent.	...	239.85	135.08	272.59	327.37	— 83.33	5,259.98	294.21
Oats, 1901	... bush.	593,548	9,582,332	7,855	306,229	1,406,913	86,433	12,043,310
" " 1932	... "	2,520,000	6,450,281	20,352	2,287,844	356,847	3,549,636	15,194,680
Increase per cent.	...	325.58	— 32.89	159.10	524.70	— 71.64	4,006.81	26.17
Barley, 1901	... bush.	114,228	1,215,478	127,144	211,102	116,911	29,189	1,814,052
" " 1932	... "	137,430	1,256,678	36,397	4,572,941	119,725	164,580	6,287,751
Increase per cent.	...	20.31	3.38	— 71.37	2,066.22	2.41	463.84	246.61
Potatoes, 1901	... tons	63,253	123,126	20,014	14,506	93,862	4,836	319,657
" " 1932	... "	33,709	206,489	17,189	24,062	95,389	20,253	397,091
Increase per cent.	...	— 46.71	67.71	— 14.12	65.19	1.63	318.80	24.22
PASTORAL—								
Cattle, 1901	... No.	2,047,454	1,625,532	3,772,767	480,777	168,601	398,547	8,493,678
" " 1932	... "	2,993,386	1,637,530	5,350,399	265,324	232,444	826,532	12,280,953
Increase per cent.	...	46.21	0.74	47.12	— 44.81	37.82	107.39	44.35
Sheep, 1901	... No.	41,857,099	10,673,265	10,030,971	5,000,540	1,792,481	2,025,855	72,040,211
" " 1932	... "	52,996,000	16,376,217	22,824,278	6,008,981	2,012,055	10,098,104	110,618,893
Increase per cent.	...	26.58	53.43	122.56	30.60	12.25	284.56	53.55
Wool production, 1901	... No. lbs.	311,318,648	81,227,029	70,872,070	40,415,378	9,805,154	14,290,156	527,929,085
" " 1932	... "	503,273,416	159,721,916	184,716,462	67,021,312	13,875,000	77,985,741	1,006,630,847
Increase per cent.	...	61.66	96.64	160.63	65.83	41.50	445.73	90.68

(Decrease —.)

CHAPTER 11—THE TARIFF.

PART I.—PRELIMINARY.

386. Section 86 of the Commonwealth Constitution provides that "On the establishment of the Commonwealth, the collection and control of duties of customs and of excise, and the control of the payment of bounties, shall pass to the Executive Government of the Commonwealth."

387. As a matter of history, it may be mentioned that at the time of Federation a Revenue Tariff was in operation in a majority of the Australian Colonies. The notable exception was Victoria, she having employed a fiscal policy of protection, which had been adopted as far back as 1865-66, or less than 10 years after receiving the grant of responsible government. It might also be mentioned as an historical fact that the greatest advocate of such protection and the main driving force behind it, was Mr. David Syme, proprietor of the Melbourne "Age." ⁽¹⁾"Time after time," records his pupil and biographer, "the people saw 'The Age' use political leaders and parties with the indifference of a carpenter who flings a hammer carelessly aside after he has driven in the nail. Syme only supported men as long as they were whole-souled ministers of the principle he advocated." Mr. Syme's works still follow him; at the present time it is notorious that the powerful Chambers of Manufactures in Melbourne and Sydney have no respect for political parties. The party most likely to secure the complete protection of their industries is the party which might count on receiving their support at the polls. During the years immediately preceding Federation, Victoria was in a bad way industrially owing to the bank crash; in much the same circumstances and for much the same reasons which for years have precluded Australian manufacturers from disposing of their manufactures at competitive prices beyond Australia, Victorian manufactures found themselves unable to dispose of their protected manufactures

(1) Professor Shann's "Economic History of Australia," p. 261. And for examples of "King David's" disciplining of ministers of his own creation who hesitated to do his bidding, *see* Pratt, *op. cit.*, pp. 167, 175, how his editor, Windsor, attended Cabinet meetings to dictate his ultimata, and p. 249, how James Munro followed Syme to a distant country estate, to beg reprieve from a sentence of dismissal, in vain.

beyond the borders of Victoria. It has been freely asserted that the alluring prospect of the enlargement of the market for her manufactures by the possible erection around Australia of a Federal tariff wall (with its concomitant of interstate freetrade) in lieu of the tariff wall which then only protected Victoria, played no small part in promoting Victoria's advocacy of Federation. Be that as it may, that prospect has in fact materialised, not only for the benefit of Victoria, but also for the benefit of New South Wales and Queensland.

PART II.—THE LOW PRE-FEDERAL TARIFF OF WESTERN AUSTRALIA.

388. The tariff set up by Western Australia in the days before the Commonwealth assumed sole control of customs and excise was moderate and well balanced.

389. Discussing what might have been the course of events had Western Australia not joined the Federation, the Disabilities Commission, appointed by the Commonwealth Government in 1924, arrived at the conclusion that ⁽¹⁾“the customs tariff the Western Australians would probably favour, in view of their present state of development, depending as they are mainly on primary industries which have to compete in the markets of the world, would be similar to that, which prevailed at the commencement of Federation”

390. The pre-Federal Tariff of Western Australia embraced 132 major items—the minor items were not numbered—and the prevailing rate of duty on dutiable goods was from 10 to 15 per cent. Under that tariff, machinery and equipment required for the agricultural, pastoral and mining industries, were in some cases subjected to a duty of 5 per cent. but were, in the main, admitted duty free, as was also the case in respect of iron and steel imports required for the general development of the country. The free list also included a large number of important household commodities which are either dutiable or prohibited under the Federal Tariff, *e.g.*, Sugar, Rice, Cornflour, Oatmeal, etc. Under that tariff, too, the percentage of factory employees in Western Australia, to the total number of factory employees in Australia was half as great again as in 1932.

(1) See Chapter 23 of this Case.

391. The following is a summary of the principal details of the rates of duty under the Western Australian Tariff at the commencement of Federation:—

DIVISION I.—STIMULANTS.

Ale and Beer	...	...	1/6d. gal.
Spirits	...	...	16/- gal.

DIVISION II.—NARCOTICS.

Tobacco—			
Manufactured	...	...	3/- lb.
Unmanufactured	...	...	1/10½ lb.
Cigarettes and Cigars	...	...	6/- lb.

DIVISION III.—SUGAR.

Sugar—			
Cane, Raw, or Refined	Free		
Mollasses and Golden Syrup	Free		

DIVISION IV.—AGRICULTURAL PRODUCTS AND GROCERIES.

Butter, Bacon Biscuits	...	...	2d. lb.
Matches, Potted Meats,	...	...	15 %
Preserved Milk, Mustard,			
Pickles, Starch, Jams,			
Jellies, Sausage Casings,			
Bananas			
Tea, Rice, Sago, Tapioca,	Free		
Arrowroot, Oatmeal,			
Rolled Oats, Groats,			
Pearl Barley, Scotch			
Barley, Mazena, Corn-			
flour, Infants' and In-			
valids' Foods			

DIVISION V.—APPAREL AND TEXTILES.

Blankets	...	...	Free
Mantle and Furniture	...	...	15 %
Drapery, Gloves, Hats,			
Caps, Umbrellas, Piece			
Goods (Ribbons, etc.),			
Trimmings and Yarns,			
and Apparel, Attire and			
Articles, N.E.I.			
Piece Goods (Shirtings,	10 %		
Coatings, etc., Cottons			
and Linens), Carpets			

DIVISION VI.—METALS AND MACHINERY.

Ammunition	...	...	5/- cwt.
Arms	...	...	10 %
Iron—Plate and Sheet,			
viz.—			
Plain Galvanised	...	...	Free
Corrugated	...	...	20/- ton
Agricultural, Horticultural	Free and 5 %		
and Viticultural Machin-			
ery and Implements			
Engines—			
Portable, Traction, Oil	5 %		
Roadmaking Machinery	5 %		
Cutlery, Plated, and Mixed	15 %		
Metalware			

DIVISION VI.—METALS AND MACHINERY
—continued.

Rolled Iron or Steel Beams,	15 %		
Girders, etc.			
Rails, Nails, Bolts, Nuts,	Free		
Barbed Wire, and Wire,			
Screws			
Machines and Machinery,	5 %	10%, or	
N.E.I.	15 %		

DIVISION VIA.—METALS.

Iron and Steel—			
Scrap, Pig Iron, Ingots,	Free		
etc., Bar, Rod, Angle,			
etc.			

DIVISION VII.—OILS, PAINTS, AND VARNISH.

Paints, Colours, Varnishes	10 %		
Oils—			
Gasoline	...	...	15 %
Other	...	...	Free

DIVISION VIII.—EARTHENWARE, CHINA, CEMENT, GLASS, AND STONE.

Cement, Portland	...	2/- barrel	
Glass and Glassware,	15 %		
China, Porcelain Ware,			
and Earthenware			

DIVISION IX.—DRUGS AND CHEMICALS.

Drugs, Chemicals, and	15 %		
Acids			
Patent Medicines and Per-	20 %		
fumery			

DIVISION X.—WOOD, WICKER, AND CANE.

Furniture	...	...	20 %
Timber, Dressed and Un-	20 % and Free		
dressed			
Axe Handles	...	...	Free
Other Unattached Tool	15 % and Free		
Handles			
Wicker, Cane, and Other	15 %		
Articles, N.E.I.			

DIVISION XI.—JEWELLERY AND FANCY GOODS.

Jewellery and Fancy Goods	20 %		
Watches, Clocks, Cameras,	15 %		
etc.			

DIVISION XII.—LEATHER AND RUBBER.

Boots and Shoes	15 %		
Leather Manufactures			
Cycle and Vehicle Tyres	15 %		
Hose and Other Rubber	Free		
Manufactures			

DIVISION XIII.—PAPER AND STATIONERY.

Paper-hangings	35% and 25%
Playing Cards	20%
Paper, Stationery, Books, etc.	15%
Inks	5%

DIVISION XIV.—VEHICLES.

Bicycles and Cycle Parts, etc.	15%
Motor Vehicles	20%
Other Vehicles	20%

DIVISION XV.—MUSICAL INSTRUMENTS.

Pianos, Pianolas, etc. ...	15%
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DIVISION XVI.—MISCELLANEOUS.

Bags, Baskets, Trunks, etc.	15%
Brushware	10% 15%, and 20%
Cordage, etc.	5/- and 8/- cwt.
Cork and Cork Manufac- tures	5%, 10%, and 15%
Explosives—	
Ammunition and Cart- ridges, N.E.I.	10%
Fuse	Free
Sporting Powder ...	4d. lb.
N.E.I.	Free
Photographic Material ...	15%
Pipes, Cigarette Cases, etc.	15%

392. Tobacco, Sugar, and Spirits were declared free of Excise and the only item subject to Excise duty was:—

Ale, Porter, and Other Beer containing not less than two per cent. proof spirit ...	2d. gal.
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393. In 1901, imports of Eastern States origin were only 27.1 per cent. of the total imports into Western Australia; in 1932-33 they constituted 66.6 per cent. A comparison between the pre-federal tariff of Western Australia and the present Australian tariff affords a ready explanation why British and other manufacturers overseas, have suffered such a diminution of opportunities in the markets of Western Australia; and this notwithstanding that Britain and overseas countries have purchased an ever increasing volume of Western Australia's production.

394. It was under the foregoing tariff that Western Australia was able to finance herself in pre-federal days without having recourse to direct taxation. In 1925 when the population of the State was then 366,000 (it was 439,000 on the 30th June, 1933), Mr. Stephen Mills ⁽¹⁾ estimated that "even the limited State Tariff of that time (1900) would, if in operation to-day (1925), produce a revenue of at least £1,800,000." The actual Commonwealth customs revenue and excise duties collected in Western Australia during the year 1923-24 were £1,755,000 and £2,000,000 during the year 1932-33.

395. A low tariff, of course, does not necessarily mean a low customs revenue. On the other hand, if the duties are raised so high as to retard or even prohibit the importation of goods, it follows that a serious diminution must occur in the

(1) Disabilities Commission's Report, par. 506.

customs revenue without conferring any corresponding benefit upon the general taxpayers, who then pay tribute to the manufacturers of Australia instead of to the Commonwealth Treasury. The figures mentioned in the next preceding paragraph exemplify these statements.

PART III.—THE HIGH PROTECTIVE TARIFF OF AUSTRALIA.

396. As might well have been expected from the conflicting fiscal faiths of the Federating colonies, the first Commonwealth tariff of 1902 was a compromise tariff; but Protection had triumphed by the time of the introduction of the second Australian tariff in 1908. Since 1908 an ever increasing measure of protection has been demanded by, and afforded to, what are euphemistically described as "Australian industries" but which in reality are more properly describable as the manufacturing industries of Melbourne and Sydney—a fact, which is proved by evidence furnished in other chapters of this Case, and which should be borne in mind in considering what is set forth in this chapter.

The Growth of Protection.

397. The following chronological survey of the vigorous growth of the Australian national policy of Protection is extracted from "The Australian Tariff—An Economic Enquiry" (pp. 147-151), published by a committee of experts appointed by the Prime Minister in 1927 to examine and report upon the Australian tariff. The committee consisted of Professors Bridgen, Copland, and Giblin, Mr. E. C. Dyason, and the Commonwealth Statistician and Actuary, Mr. C. H. Wickens:—

THE FIRST COMMONWEALTH TARIFF—CUSTOMS TARIFF 1902 (No. 14 of 1902).—The scope and character of the first Commonwealth tariff was dictated in some measure by the obligations of the Commonwealth to the States under the terms of the Constitution. The Constitution provided that "During a period of ten years after the establishment of the Commonwealth, and thereafter until Parliament otherwise provides, of the net revenue of the Commonwealth from duties of Customs and Excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure. . . ."

The Minister for Trade and Customs (The Right Hon. C. C. Kingston), referring to the difficulty of preparing the first Commonwealth tariff, said (*Hansard*, 8/10/1901, pp. 5698-9): "We recognise fully that at this time

in our history, neither free-trader nor protectionist can have his way entirely. The Tariff is a compromise Tariff, but, at the same time, it gives effect to our policy as stated to the country and accepted by the people who sent us here. That policy, as declared at Maitland, required that our Tariff should be framed so as to produce an amount nearly as practicable—their ordinary receipts, then roughly estimated at £8,000,000, plus their share of the federal expenditure, which was then also roughly estimated at from £300,000 to £750,000. That policy was further for moderate protection, particularly avoiding the unnecessary destruction of existing industries whose magnitude and suitability rendered them worthy of fiscal protection. There was no desire—and it has never been attempted to be debited to this Government—that we should indulge in the fostering of exotic industries . . .”

CUSTOMS TARIFF, 1908 (No. 7 of 1908). (Lyne Tariff).—The first general revision of the Tariff of 1902 was made by the Tariff of 1908, which was introduced by a resolution by Sir William Lyne on the 8th August, 1907, and assented to on the 3rd June, 1908.

This Tariff provided for a general increase in the rates of duty throughout; and provided also for preferential rates of duty in favour of goods which were the produce or manufacture of the United Kingdom.

CUSTOMS TARIFF OF 1914. (Tudor Tariff).—On the 3rd December, 1914, The Right Hon. Andrew Fisher (Prime Minister and Treasurer), in association with the Budget, introduced by resolution a complete revision of the Customs Tariff; of the Excise Tariff; and of the South African Tariff. The rates of duty were again extended and very generally increased . . .”

CUSTOMS TARIFF, 1921 (No. 25 of 1921). (Greene Tariff).—The next Act involving a major revision was the “Greene” Tariff, introduced by the Hon. Massy-Greene, Minister for Trades and Customs.

In moving the resolution, Mr. Greene quoted from the policy speech of the Prime Minister (Mr. W. M. Hughes), as follows:—“Experience has shown that the present Tariff, imposed when different conditions existed, is inadequate. During the War it was impossible for many reasons to amend it, and the early appeal to the electors precluded its introduction after peace had been signed.

The Government has carefully prepared a new Tariff. It believes it will prove satisfactory to the manufacturers of the Commonwealth, and intends to lay this Tariff on the table of the House, and give effect to it at the earliest possible moment after the new Parliament assembles.” Continuing, Mr. Greene said, “I believe that it will protect industries born during the war, will encourage others that are desirable, and will diversify the existing industries. . . .”

CUSTOMS TARIFF, 1922 (No. 16 of 1922).—On the 13th September, 1922, the Minister for Customs (Mr. Rodgers) moved by resolution duties on fencing wire, wire netting and traction engines, and the imposition of a duty on alternating current recording watt-hour meters. The protection on wire, wire netting and traction engines was restored in the form of bounty (Iron and Steel Products Bounty Act—No. 29 of 1922).

CUSTOMS TARIFF, 1926 (No. 26 of 1926). (Pratten Tariff).—The Schedule (subsequently slightly amended) was presented to the House of Representatives by the Minister for Trade and Customs (Mr. Pratten)

on the 2nd September, 1925, and the rates of duty therein were subsequently ratified by the Customs Tariff Validation Act (No. 31 of 1925).

Explaining the schedule on the 3rd. March, 1926, Mr. Pratten said: "There are in the schedule 53 proposals to increase duties. These, in the opinion of the Government, will create a great deal of further employment, and are particularly directed towards placing some of the main branches of the textile industry and our engineering trades upon a much healthier basis than has existed during the past few years. The reductions in duty cover 47 items. There are 13 items inserted purely for the simplification of administration, so that there are in all about 113 items, major and minor, for the consideration of honourable members:—

CUSTOMS TARIFF, 1928 (No. 2 of 1928). (PRATTEN TARIFF).—On the 24th November, 1927, the Minister for Trade and Customs moved the amendment of the existing Tariff according to a schedule embracing goods in twelve of the sixteen divisions of the Tariff. The number of duties which were increased in both the British and foreign schedules was 23. . . .

Some Special Features of Australian Protection.

398. Attention may here be conveniently directed to some special features of the Protectionist policy so actively and vigorously developed in Australia during the above period.

399. Two outstanding features were the prohibition of the importation of sugar into Australia, and the reservation of the Australian coastal trade to Australian ships. Both of these matters have already been discussed at length in Chapter 9 of this case. A variation in the method of protecting Australian industries either in conjunction with, or distinct from, the tariff, is found in the system of granting bounties by the Commonwealth in respect of certain products. An illustration of this practice is furnished by the Iron and Steel Products Bounty Act, 1922, which covered fencing wire, wire netting, and traction engines. These items which were urgently and extensively needed for the equipment and development of farms and pastoral properties, were being produced under a high protective tariff and the existence of such manufacturing industries depended on their ability to obtain a price for their product far higher than the cost of the like article if imported—and far higher than the farming and grazing industries could afford to pay. Indeed, the cost to the farming and grazing industries was almost prohibitive. Consequently, the customs duties on imported fencing wire, wire netting, and traction engines, were reduced, thus enabling these requirements to be imported at a cost not quite so excessive, and at the same time the protection on the items in question was restored in the form of a bounty.

400. An extension of the Protection policy has been effected by the enactment of the Customs Tariff (Industries Preservation) Act, 1921, which permits the imposition of a special additional duty in order to prevent the "dumping" of goods into Australia. The inclusion under that Act of essential materials available from Britain and elsewhere overseas at comparatively low prices, but under conditions quite distinct from "dumping," as that term is generally understood, gave rise to considerable resentment in Western Australia. According to the Commonwealth Year Book "The commodities brought under the various sections of the Act exceed 150 and cover a very wide range of goods." On the other hand, however, the dairy farmers of Australia have engaged in dumping butter into Britain. By means of the "Paterson Butter Scheme," promoted in Eastern Australia by the Deputy Leader of the Federal Country Party, by whose name the scheme is known, but in which the Western Australian dairy farmers have refused to participate, the export of butter overseas has been subsidised to the extent of 4½d. per pound. A duty of 6d. per pound, which keeps New Zealand butter out of the Australian market, enables the butter industry to exact from Australian consumers the money necessary to pay that subsidy. The high price thus artificially created led to an abnormal growth in the production of butter, which, together with the recent fall in prices, has brought about the collapse of the Paterson Scheme. The same methods prevail in other industries, *e.g.*, sugar and dried fruits. The argument advanced by its sponsor in support of the Paterson Butter Scheme is as follows:—

(1) "It is now generally accepted that, in a country where wages and the prices of secondary industry producers are removed from the field of intense overseas competition by means of the Arbitration Court and the Customs tariff, respectively, the dairyman is entitled to a fair Australian price, based on Australian living standards for that part of his output which is consumed by Australians, and that he should not be too rigidly governed by conditions ruling at the other end of the world."

The "Soundly Protectionist Schedules" of 1929-31.

401. By way of completing the chronological survey of the growth of Protection, it may be mentioned that on the 23rd August, 1929, shortly before its defeat at the polls, the Bruce-Page Government sponsored another tariff schedule providing for further increases in customs duties.

(1) Hon. T. Paterson "Economic Record" Supplement, January, 1928.

402. The Scullin Government was in power from November, 1929, to December, 1931, and during that short period nine successive schedules were introduced providing for the most extraordinary increases in duties on hundreds of items; a special customs duty of 50 per cent. of the amount of duty already imposed on certain items was also introduced; the importation of 78 items of goods into the Commonwealth was prohibited; and there was also imposed in addition a primage duty of $2\frac{1}{2}$ per cent. ad valorem, which was subsequently increased to 10 per cent. in respect of most imports, whether dutiable or not dutiable. Such is the world-wide notoriety which has been achieved by that ⁽¹⁾“Soundly Protectionist Schedule” as “The Age” had described it, that a detailed discussion thereof is unnecessary, but in Appendix No. 32 at the end of this chapter there are furnished extracts from some explanatory Press messages which were published at that time. The exigencies of the financial and economic crisis were offered as an excuse for the introduction of those extraordinary measures. It should be noticed, however, that those measures merely represented the fulfilment of the following declaration as made by Mr. Scullin in his Policy Speech on the 4th October, 1928:—

“Labour stands for the fullest possible protection for all industries, primary and secondary. Where a Labour Government could by agreements or undertakings safeguard consumers as to price, quality, and the ability of the industry to supply requirements, complete protection would be given in guaranteeing the Australian market to Australian industries. The success of that policy could be seen in the sugar industry That policy to be continued in the sugar industry, would as far as practicable, be extended to other industries in similar circumstances.”

403. To complete the picture of Australia's economic quarantine since 1929, it should be added that with the depreciation of Australian currency, the exchange rate rose from par to 130 (£130 in Australia = £100 in London), and subsequently receded to 125 (at which rate it still remains), thereby affording an added measure of protection to the Australian manufacturer.

404. Since the advent of the Lyons Government in 1931, a few reductions have been made in the tariff schedules, which were introduced during the Scullin regime; the special duty of 50 per cent. has been removed from a number of items, and the prohibition of importation has been repealed in respect of most of the goods previously prohibited; the 10 per cent. primage has also been reduced in some cases, and abolished

(1) “The Age,” 5th September, 1932.

in others; and arrangements have been made for the following adjustment of the tariff to compensate for the effects of exchange upon goods admitted under the British Preferential Tariff:—⁽¹⁾“A deduction from protective duties of a quarter of the duty or an eighth of the value for duty, whichever was the less, while the exchange did not fall below 20 per cent., and secondly, a deduction of an eighth of the duty or one-sixteenth of the value for duty, whichever was the less, if the exchange fell below 20 per cent., but not below 12½ per cent. Purporting to comply with the Ottawa Agreement, the Government has granted further nominal preferences to certain imports from Britain. The Ottawa Agreement, however, omitted to specify the manner in which these preferences were to be bestowed. The Commonwealth Government therefore fulfilled the letter of the Agreement, not by reducing the British preferential tariff, but by increasing the general tariff. If, for example, an item was previously dutiable 45 per cent. British preferential and 60 per cent. general (e.g., felt hats), the so-called “preference” was granted by increasing the general tariff to 65 per cent. and leaving the high British preference tariff unaltered. On the whole, all these reductions have made little or no impression upon the national policy of High Protection, as will be disclosed later in this chapter. Commenting upon results such as this, which have emerged from the Ottawa Conference, Barclay’s Bank in its Review of January, 1934, records that “it is regrettable that one of the results of the conference has been to increase rather than to decrease tariffs in certain directions.”

Tariffs Imposed for Four Years without Parliamentary Approval.

405. One of the outstanding features of all the tariff alterations from November, 1929, is the objectionable manner and method by which the increased duties have been imposed upon the people. With one slight exception, all these duties were collected for four years without statutory Parliamen-

(1) This maximum reduction of 12½ % under the present rate of exchange “is based on a British Preferential rate of 50 per cent. or higher, irrespective of whether the duties are *ad valorem*, specific, alternative or composite rates. This maximum reduction of 12½ % is brought about by the dual nature of the Tariff Board’s recommendation, which provides for a deduction of one-fourth of the duty or one-eighth of the value for duty, whichever is the lower. Where the rate is lower than 50 per cent. the deduction on account of exchange will be correspondingly lower, falling to 2½ per cent. in the case of a British Preferential duty of 10 per cent.”—*vide* the Commonwealth Treasurer’s Budget Speech, 4th October-1933.

tary sanction. The Customs Act gives the Government power to collect customs duties upon the authority of a resolution tabled in the House of Representatives; but it protects—or rather is intended to protect—the power of Parliament, by limiting the time during which customs duties can be collected on such authority, to the life of a session. A session, of course, means the annual sitting of Parliament; and Section 6 of the Constitution provides that there shall be a session of Parliament once at least in every year. By adjourning instead of proroguing; and by sitting for a “period” instead of “a session,” it has been claimed that one session may be made continuous right through the life of the Parliament. This course was adopted by the Scullin Government; and such were the means by which they collected those heavily increased duties without parliamentary sanction.

406. When, at the end of 1931, the Scullin Government was faced with defeat and a dissolution, which would terminate the session, was imminent, Parliament, as its only alternative, passed an Act validating the tariff resolutions until the 15th February, 1932. On that date, however, the Lyons Government (which, in the interim, had been placed in power) merely retabled the old resolution bringing into operation again the duties they themselves had condemned when in opposition. The Lyons Government followed the practice of the Scullin Government, so that although the life of the present Parliament will expire by effluxion of time within a few months after the end of the year 1934, the sittings which closed at the end of 1933 were officially designated as the “First Session—Fourth Period.” The tariff schedules from 1929 onwards were at last ratified by Parliament on the 1st December, 1933.

407. During the consideration of the customs tariff and arising out of certain requests which had been made by the Senate for an alteration of the duties on some items, it was emphasised by the Federal Attorney General, Mr. J. G. Latham, K.C., that the Senate had no power to press its requests for amendments, and that having made the request once, and that request being refused, the Senate then had the option only of either accepting or rejecting the whole measure. Since it is impossible to imagine that any Commonwealth Senate would be so insistent upon “the undoubted Constitutional position and rights of the Senate” as to run the risk of forcing a double dissolution by the rejection of a whole tariff schedule, the powers of the Senate in respect

of the tariff are more apparent than real. Furthermore, another factor likely to affect the freedom of action of the Senate is, that if, after a double dissolution the Government is returned to power, and the Senate again rejects the measure, the constitution provides that the measure shall be considered by a joint sitting of members of both Houses, who shall then decide the question; and in such a sitting the 36 Senators would be overwhelmed by the 75 members of the House of Representatives. The real power in respect of tariff matters, therefore, rests with the House of Representatives in which the States of New South Wales and Victoria have 48 representatives (Melbourne and Sydney between them accounting for no less than 24) out of a total of 75 representatives having votes.

The Meagreness of Recent Tariff Reductions.

408. The tariff reductions, of which mention has been made in paragraph 404, were effected by the Lyons Government at various times during 1932-33. The best that can be said of all these reductions is that they represent but a partial reduction of the really extraordinary impositions of 1929-31, which were, virtually, still further increased by the existence of an adverse exchange of at least 25 per cent. which has operated since 1931. Notwithstanding all such reductions, the existing tariff schedule of some 400 major items or 1,700 minor items, is, with occasional exceptions, considerably higher than the very high tariff of 1928. Indeed an amendment moved on the 9th March, 1933, and designed to provide for the reduction to that level of 1928 "duties against British goods in all cases where they have been raised above that level without report by the Tariff Board," was strongly opposed by the Lyons Government and rejected by the House of Representatives. Of the five Western Australian members in the House of Representatives, four were present at the division of the House and voted in favour of the amendment which, however, was rejected by a majority of more than two to one. It is emphasised that little or no relief from the Commonwealth's policy of Protection has been given by the reductions which have been made. When a miner is entombed by thousands of tons of earth as the result of one landslide, succeeded by another of even greater severity, it is no relief to him if a few shovels of earth are removed from the surface. Notwithstanding the reductions which have been made, Australia still has "monopolistic protection" as it was aptly described

by Sir Geoffrey Ellis (member for Winchester in the House of Commons) during his recent visit to Australia.⁽¹⁾

409. It is interesting, nevertheless, to observe the attitude of responsible persons and bodies towards the meagre reductions, which have been made. When in September, 1932, reductions were made in 34 items and sub-items, and some of the prohibitions against certain imports were lifted, "The Age" vigorously attacked ⁽²⁾ "this process of tariff-slashing and whittling-down protection" and Mr. Scullin, now in opposition, denounced ⁽³⁾ "these staggering blows through the lowering of the Tariff," while the President of the Associated Chambers of Manufactures deplored ⁽⁴⁾ "these widespread and unnecessary Tariff reductions." Leading the general tariff debate on behalf of the Opposition, Mr. Forde (who was a Minister for Customs in the Scullin Government), made the following remarks during the course of a speech in the House of Representatives on the 9th March, 1933:—

(3) " I ask honourable members to contrast the flabbiness of the fiscal policy of this Government with the bold policy of the Scullin Administration, which was prepared to take full responsibility for its actions. . . I still hold the view that what took place at Ottawa was the greatest ramp ever attempted on behalf of manufacturers in the United Kingdom against the best interests of the manufacturers of this country. . . . The diminishing of the local market for our primary producers, which must follow the whittling down of the protectionist policy, must have a serious adverse effect on our primary industries. The Paterson butter scheme, of which the Acting Leader of the Country Party is so proud, depends on the Australian market for about £4,000,000 per annum in order to provide a bounty on the butter exported. I urge the Government to stay its hand before irreparable damage is done to the great secondary industries of this country. . . . When I took charge of the Trade and Customs Department, I found that previous administrations had indulged in a policy of pseudo-protection, under which local manufacturers were subjected to the most intense competition from overseas manufacturers, with the result that there was an incessant struggle between Australian manufacturers and importers.

410. In anticipation, however, of the above criticism from the ranks of the Opposition, the Minister for Customs, Mr. White had the day previously dispelled all reasonable doubt—not that any such doubt ever existed—as to the definite intention of the Lyons Government to maintain high protection in Australia, and the Minister gave due emphasis to his declaration by quoting and re-affirming Mr. Lyons' declared policy at

(1) "The West Australian," 12th December, 1933.

(2) "The Age," 5th September, 1932.

(3) Commonwealth Parliamentary Debates, 9th March, 1933, p. 101, *et seq.*

(4) "The Age," 5th September, 1932.

the elections of 1931 (when Mr. Lyons and his party were then in Opposition): Mr. White reminded the House that Mr. Lyons had said *inter alia*:—

(1) "Turning to secondary industries, and the controversial subject of the tariff, let me say at once that the majority of the members of the party which I lead have taken a strong exception to the Tariff Schedules introduced into the last Parliament. This attitude has inspired propaganda by the extreme section of protectionists directed to prove that the Opposition is a party which stands for a policy of low protection that would not safeguard sound Australian manufacturing from excessive overseas competition, or uphold Australian standards of living. I therefore desire to make quite clear the real tariff policy and intentions of the United Australia Party.

"The policy of protection is still maintained by the Opposition. The Nationalists and the Country Party stood firmly behind the Massey Greene and Pratten Tariffs"

411. In amplification of the above-quoted declaration, it may be mentioned that Mr. Lyons was a senior member of the Scullin Government from which he did not retire until January, 1931, so that Mr. Lyons himself was a party to the introduction of most of the drastic tariff schedules of which he complained when he subsequently became Leader of the Opposition.

412. On the 4th October, 1933, the Federal Minister for Customs, Mr. T. W. White, tabled tariff resolutions designed to reduce the primage duty from 10 per cent. to 5 per cent. in respect of many (but not all) of the goods admissible under the British preferential tariff, and to provide for adjustments compensating for the effect of the exchange. These resolutions (now embodied in Commonwealth Act No. 29 of 1933) were described by the Minister for Customs as "the greatest single contribution directed toward the encouragement of British trade by any government since 1907," and "proves clearly how genuine is the disposition of the government to honour in every detail and to implement to the full its obligation under the Ottawa Agreement." The contribution is more apparent than real and the Minister's statement serves merely to emphasise the entire absence of any previous contribution at all, and the absence of any real merit in the proposals for which so much credit has been taken. It also serves to emphasise the

(1) Commonwealth Parliamentary Debates, 8th March, 1933, p. 57.

fact that the Ottawa Agreement has not brought about any material reduction in the tariff. The manner in which and the extent to which the latest measures are going to encourage British trade is not at all clear, since there still remain the high tariff of 1928, the huge increases in the ordinary tariff schedule since 1929, a primage duty of 5 per cent., and one half of the protection from the exchange. The Minister, however, was on firmer ground in declaring on the same occasion, that "the adjustments proposed to be made on account of exchange will not expose manufacturers to undue competition because the maximum deduction from duties proposed to be made is only half the adverse exchange rate."

Protection—An All-Party Federal Policy.

413. The successive Governments which have sponsored the several Commonwealth tariff schedules (all of which have been of a protective nature), have been drawn at different periods from the various political parties as appears from the following list:—

1908—Deakin Government—Liberal Party.

1914—Fisher—Labour Party.

1921—Hughes Government—Nationalist Party.

1922—Hughes Government—Nationalist Party.

1926—Bruce-Page Government—Nationalist-Country Party.

1928—Bruce-Page Government—Nationalist-Country Party.

1929—Bruce-Page Government—Nationalist-Country Party.

1929-31—Scullin Government—Labour Party.

1931-33—Lyons Government—United Australia Party.

Regarding this all-party feature of the Commonwealth's policy of protection, the Hon. Norbert Keenan, K.C., M.L.A., now Leader of the Nationalist Party in the Parliament of Western Australia, has remarked:—

"If the Labour party of 1914 advanced far beyond the non-Labour Party tariff of 1908, it in turn was exceeded by the non-Labour party tariff of 1921, and this tariff again was carried to further lengths by the non-Labour party tariffs of 1926 and 1928.

"It remained only for the Labour Party under Mr. Scullin to place for the time being an apex on the building in 1929.

"In truth, the tariff is not a party question in the Federal House, but a geographical question."

The Present Federal Tariff.

414. Briefly, the Commonwealth tariff schedule provides a British preferential tariff and a general tariff. The rates of duty set out in the Schedule in the column headed "British Preferential Tariff" apply to goods the produce or manufacture of the United Kingdom, subject, *inter alia*, to the condition that the goods have been shipped in the United Kingdom to Australia, and have not been transhipped, or, if transhipped, then only if it is proved satisfactorily that the intended destination of the goods, when originally shipped from the United Kingdom, was Australia (Section 8 of Act No. 27 of 1933, Commonwealth).

415. Generally speaking, the rates of duty set out in the column headed "General Tariff" apply to all goods to which the rates set out in the column headed "British Preferential Tariff" do not apply (Commonwealth Act No. 27 of 1933, Section 11). The provisions of the British preferential tariff may, by proclamation, be declared to extend to the produce or manufacture of a British non-self-governing colony; the British preferential tariff is also extended to imports covered by the following Acts, etc.:—the proclamation relating to Canadian Preference, the Customs Tariff (New Zealand Preference), 1922-1296; the Customs Tariff (New Zealand Preference), 1922 (No. 2); the Customs Tariff (Papua and New Guinea Preference), 1926; the Customs Tariff (New Zealand Preference), 1928; the Customs Tariff (Canadian Preference), 1931, and legislation of a like nature.

416. The tariff schedule is divided into sixteen divisions. These divisions contain major items, which are each extended into a number of minor items. The arrangement of these minor items is extremely technical and so very comprehensive that endless confusion often arises regarding the particular item under which an article should be declared for duty. The customs officials generally contrive to have the articles declared under such heads as will enable them to collect the highest possible duty, and the Australian who dares to import goods without engaging the assistance of a tariff specialist does so at his peril. The following summary indicates the heads of the divisions in the existing tariff, as adopted on the 1st December, 1933, the number of major items and

the collections of customs duties in respect of each division for the year 1932-33:—

	(a) No. of Major items in exist- ing Tariff.	Collection of Customs Duties, 1932-33. (In millions of £'s.)
1. Ales, Spirits, and Beverages	17	1·027
2. Tobacco and Manufactures thereof	9	2·530
3. Sugar	6	....
4. Agricultural Products and Groceries	72	1·364
5. Textiles, Felts and Furs, etc.	31	2·164
6. Metals and Machinery	87	1·122
7. Oil, Paints and Varnishes	11	5·393
8. Earthenware, etc.	30	·276
9. Drugs and Chemicals	27	·288
10. Wood, Wicker and Cane	16	·401
11. Jewellery and Fancy Goods	16	·313
12. Hides, Leather and Rubber	11	·350
13. Paper and Stationery	16	·425
14. Vehicles	11	·338
15. Musical Instruments	6	·006
16. Miscellaneous	72	·641
Primage Duty	....	4·512
Sundry Undistributed Duties	....	·103
Other Miscellaneous Receipts	....	·061
	438	21·314

(a) These major items represent some 1,700 minor items.

417. In order to give some idea of the nature of the details of the Commonwealth tariff schedule, Appendix No. 33 at the end of this chapter contains a copy of Division V. of the existing tariff schedule. It is not proposed to furnish here an example of the operation of the tariff in respect of any particular items; but many startling examples have been furnished from time to time by means of questions raised in the House of Commons; and numerous illustrations may be found in the minutes of evidence—and particularly in the evidence of the Director of the Association of British Manufacturers in Australia taken at the various hearings, which from time to time have been conducted by the Tariff Board.

The High Tariff Wall of 1928.

418. There is no possibility of the existing tariff being reduced so as to bring about an effective reduction to the level of, or lower than the measure of protection, which existed at

the time of the tariff of 1928; and that tariff was one of high protection.

419. Discussing the increase in the tariff from 1913 to 1921, the then Commonwealth Statistician (Mr. Wickens) stated:—

(1) "Taking in the case of the imports of 1913 a composite unit which had all been cleared for consumption within that year and in respect of which the duty paid on such clearance would amount to £13,000,000 under the then existing tariff, the same goods at the same import prices would have paid under the tariff of 1921 (the Massey Greene Tariff) duty amounting to £25,000,000, representing an increase of 92 per cent. in the average duty per unit of quantity."

420. (2) A document prepared for the International Economic Conference of 1927 estimates the 1925 level of the Australian tariff as 145 per cent. of its 1913 level. No country with as high a level as Australia in 1913 had made a corresponding increase by 1925.

421. It has been claimed in support of the Australian policy of high protection, that since the creation of the Tariff Board in 1921 Australia has enjoyed a scientific tariff, at any rate until the tabling of the tariff schedules of the Scullin Government in 1929.

422. Whether it was "scientific" or otherwise, the tariffs of 1928 and of earlier years may (notwithstanding Mr. Forde's description of them as "pseudo-protection") be regarded as examples of reckless protection; and the fact remains that even the Tariff Board itself saw fit to offer adverse comment upon the baneful effects of those tariffs and the objectionable practices of manufacturers in relation thereto. In Appendix 34 at the end of this chapter will be found extracts from the Tariff Board's Reports of 1927 and 1928 wherein the Board discusses the abuse of protection, the rising tariff wall, and the high cost of production in Australia.

423. It is common knowledge that Australian manufacturers have demanded and secured this large measure of tariff protection, although they already hold a very great advantage over British and other overseas manufacturers through the natural protection which they enjoy by reason of Australia's geographical distance from the world's centres which involves consequential charges for freight, etc., from those centres to Australia.

424. The following table, prepared from information contained in the official Commonwealth publications, reveals at

(1) Commonwealth Year Book, 1922, at page 505.

(2) League of Nations International Economic Conference, 1927. Tariff Indices (Document C.R. I. 37)

a glance the percentage of the total Customs duty to the recorded value of dutiable imports in respect of each of the years therein mentioned. Few goods are admitted duty-free except those required for manufacturing purposes. The recorded value of imports for Customs purposes is the value in British currency plus 10 per cent.

IMPORTS OF MERCHANDISE INTO AUSTRALIA.

Year.	Free.	Dutiable.	Customs Duty	Percentage of Duty on Dutiable Im- ports.
	(in Millions of £s.).			
	£	£	£	%
1922-23	43.7	87.9	22.6	25.71
1923-24	43	97.4	25.1	25.77
1924-25	49.8	96.8	26.4	27.3
1925-26	55.4	95.8	27.8	29.0
1926-27	59.2	104.9	31.8	30.3
1927-28	53.2	93.7	29.8	31.8
1928-29	53.6	89.6	29.5	32.9
1929-30	54	76.7	30.1	39.2
1930-31	26	34.5	*16.4	47.5
1931-32	18.9	25.8	*14.9	57.7
1932-33	24	32.8	*16.8	51.2

* Plus the following Primage Duty :—

1930-31	....	....	£1.8 million
1931-32	....	....	£3.6 "
1932-33	....	....	£4.5 "

Protection—"A Faith and A Dogma."

425. The evidence is conclusive that in those Eastern States of Australia, which have a predominant representation in the Federal Parliament—and, therefore, in the Federal Parliament itself and in all the political parties which are represented in that Parliament—Protection "has been more than a policy; it has been a faith and a dogma"; that it is "interwoven in almost every strand of Australia's democratic nationalism;" that "behind this national fervour there is a pressure of particular interests"; that "these interests have to some extent created the fervour and to some extent exploited it"; that "among them must be reckoned the interest of the Commonwealth Treasury"; that "there is an unmeasured and a very large return to the Treasury from duties which are intentionally, though clumsily, protectionist"; and that "thus the interest of the central Government has been in superficial accord with that of the industries which have come to it a-begging."⁽¹⁾

(1) Professor W. K. Hancock: "Australia," p. 89.

The Inflation of Costs.

426. Every system of tariff protection, of course, imposes costs in the hope of creating benefits which will outweigh the costs. Protection obviously imposes a burden upon the people who have adopted it—a burden which, though borne in varying degrees by all the people in the country, becomes a benefit only to the persons engaged in the industries that are protected.

It will also be readily realised that the gain to the Commonwealth Treasury from high customs duties involves a much higher cost to consumers than represented by the duties paid. In "Taxation in Australia" (page 251), Mr. Stephen Mills, a former Comptroller of Customs, asserts, *inter alia*, that "when the King's Representative assents to a Tariff Act, he releases a force which is far from being exhausted when the Treasury objective has been attained—a force which goes on to extract from the pockets of the public, sums much in excess of the Treasury impost." The following general calculations will serve to illustrate how the tariff thus inflates costs:—

Comparative Statement illustrating the Cumulative effects of the Tariff and Exchange based upon the purchase from Overseas of Goods invoiced at £100 Sterling F.O.B.

	Duty Free.	1922-23.	1931-32.
	£ s. d.	£ s. d.	£ s. d.
Goods at Invoice Cost F.O.B.	100 0 0	100 0 0	100 0 0
*Average Duty for year	—	25 0 0	57 0 0
Exchange	—	1 0 0	25 0 0
Wholesaler's Prime Cost	100 0 0	126 0 0	182 0 0
†Wholesale Costs (including Freight Handling charges, Distribution and other overhead charges, and Gross Profit of 50% on Wholesalers Prime Cost)	50 0 0	63 0 0	91 0 0
Retailers Prime Cost	150 0 0	189 0 0	273 0 0
‡Retail Costs (including Distribution losses and other Overhead charges, and Gross Profit of 33½% on Retailers Prime Cost)	50 0 0	63 0 0	91 0 0
Sale Price	£ 200 0 0	252 0 0	364 0 0
*See paragraph 424.			
	£ s. d.	£ s. d.	£ s. d.
†Includes Wholesalers Profits on Duty and Exchange	Nil	13 0 0	41 0 0
‡Includes Retailers Profits on Duty and Exchange	Nil	13 0 0	41 0 0

427. Then too, and of much greater significance, there is the indirect burden, which a protective tariff places upon the community, namely, the proportionate extra cost of Australian manufactures, the reduced output through over-sheltering or lack of competition, inefficiency and disaffection, and the hindrance to development.

428. The tariff directly affects the price of goods, both imported and locally manufactured. The customs duties, etc., in respect of goods imported from overseas is added to the prime cost of those goods and passed on to the consumer who pays the increased price. In respect of Australian manufactures experience has shown that, with certain exceptions, the price of such goods is invariably fixed at a figure just below the ultimate price that is, or would be, payable for an imported article of a similar nature. The Tariff Board in its report for 1932 in fact submits a table showing in respect of certain specific and important articles of essential plant and raw material which "are typical of a large number of essentially important products" that the Australian manufacturer's C.I.F. selling price is equal to, or little less than, the landed cost (C.I.F., exchange, duty and primage) of imported articles of a similar nature. Extracts from that table and the Tariff Board's covering remarks will be found in Appendix No. 62 at the end of Chapter 24 of this Case. Another extract dealing with the same matter is furnished in Appendix No. 35 at the end of this chapter.

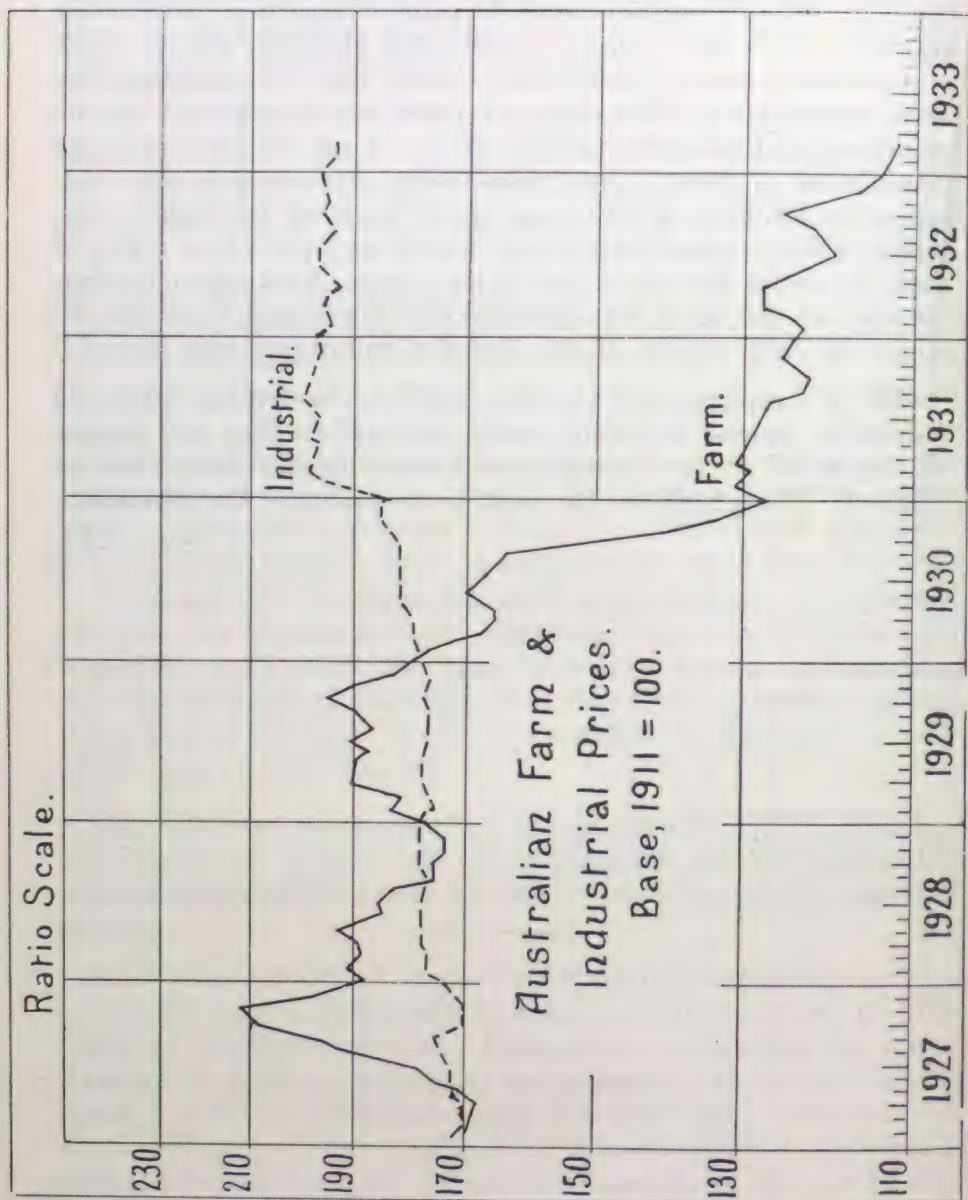
429. Without the protection of the Tariff most Australian manufacturers would fail to command a market unless the price was competitive with the lower priced article of imported origin.

430. Thus the effect of the Tariff on the consumer is to increase the cost of commodities whether manufactured in Australia or whether imported. Industrial Arbitration (or wage-fixation by judicial tribunals) is a counterpart of the Federal fiscal policy of protection and the combined operation of the tariff and of the Arbitration Acts has had a deplorable effect, because coincident with the increase in the tariff, i.e., with the increase in the cost of commodities, the nominal wage values have also risen in the attempt to keep pace with the increased cost of living. This wage increase in turn, has again increased the cost of production (in which wages play a predominant part), with the result that in order that the margin between production cost and marketable value might

be retained, the assistance of an increased tariff protection has become necessary; and so the "vicious circle" continues.

431. Basing its calculations upon the Australian figures for the year 1926-27 the Economic Inquiry Committee, previously referred to in this chapter, concluded that the excess costs of protection were £36,000,000. Since then the position has been aggravated. The changed position is indicated by the evidence of Professor Giblin, given in an inquiry into the disabilities of South Australia under Federation, and contained in Minutes of Evidence on "The Case for South Australia, 1930," question 613, in which he said *inter alia*, "I have no doubt that, relative to the whole Australian income, the cost of the tariff has considerably increased since the report (the 1929 report of the Tariff Committee) was issued."

432. A comparison of the movement in Australian farm and industrial prices in recent times emphasises that the burden of the tariff on the unsheltered industries has relatively increased. The graph on the next page indicates the position.



How the Burden "Sticks" upon Export Industries.

433. The naturally sheltered industries and the protected industries recover their costs in prices, and more than recover them. The export industries, being forced to sell in the world market, where the National State cannot adjust prices to its liking, recover nothing." ⁽¹⁾The full burden of this excess cost falls on the export industries of wheat, wool and mining, and, since it cannot be passed on, it "sticks" there.

434. "We have found that these excess costs," declared the Economic Committee of Inquiry at p. 231 of its Report, "are borne in the last resort partly by luxury expenditure and fixed incomes and protected production itself, but most of all by the export industries. Without attempting to give a full distribution of cost on these lines, we may say that the result is to make the burden per head of Victoria and Queensland, which have relatively small exports, much below the general average, with the other States above the average and Western Australia particularly high. "So it comes about that the same two States, Victoria and Queensland, both get the greatest increase to income per head, and pay least per head for it; New South Wales is in a middle position; and the other three States both receive least and pay most, with Western Australia in a somewhat worse position than South Australia and Tasmania."

435. Chapter 15 of this Case contains some further pertinent observations of the Economic Enquiry Committee on this question.

436. The conclusions of that Committee, as stated above, definitely confirm the finding of other competent authorities concerning the effect of the Commonwealth Tariff upon Western Australia.

(1) Professor Hancock, "Australia" at page 94.

APPENDIX No. 32.

SOME DETAILS OF THE TARIFF OF 1929 AND 1930.

Extract from a Press message from Canberra published in the "West Australian," 23rd November, 1929, concerning the imposition of high duties on about 200 items.

"The following are some of the principal increases in the Customs Tariff Schedule tabled by the Minister for Customs:— . . . Cigarettes, 1s. 10d. British, 1s. 4d. general; prune, 1½d. a lb.; dates, 2d. a lb.; currants and raisins, 3d. a lb.; matches, wax, small, 4d. a gross of boxes British, 6d. general; large boxes, 8d. and 1s.; wood matches, small boxes 1s., large boxes 1½s. British, 2/- general; concentrated foods, 10 per cent.; peanut butter, 4d. a lb. British, 6d. general; soap, 6d. British, 1/3 foreign, ad valorem 10 per cent. British, 15 per cent. foreign; cotton tweeds, 3d. a yard British, 6d. general, and 5 per cent. ad valorem; piece goods, knitted 30 per cent. British, 50 per cent. general; silk, 10 per cent. general; artificial silk, 5 per cent. British, 10 per cent. general; woollen piece goods, 3d. a square yard and 5 per cent. British, 6d. a square yard and 5 per cent. general.

"Provision is now being made to bring all felts under woollen piece goods duties. There is a considerable increase in the fixed rate on apparel duties, ranging from 1s. to 15s. Men's wool felt hats, 15s. a dozen British, 35s. general; fur felts, 24s. a dozen British, 36s. general; cotton socks, 14s. a dozen British, 20s. general; cotton stockings, 24s. a dozen British, 40s. general and an increase of 20 per cent. ad valorem. Woollen socks 9s. 6d. a dozen British, 13s. 6d. general; woollen stockings, 17s. a dozen British, 23s. a dozen general, and 20 per cent. ad valorem; silk socks, 13s. a dozen British, 19s. a dozen general; silk stockings, 23s. a dozen British, 39s. general; socks, ad valorem, 15 per cent. British, 20 per cent. general; stockings, 10 per cent. all round.

"Wireless parts have been considerably increased to protect the manufacturing industry with a minimum of 35 to 55 per cent. Sparking plugs, fixed rates with a minimum of 45 to 60 per cent.; bolts, nuts, rivets, washers, fish bolts, rail dogs, 11s. a cwt. British, 16s. general, with a minimum of 45 per cent. British and 60 per cent. general; manufactured metal work, 10 per cent.; benzine, 1d. a gallon, crude rate unaltered; varnishes, 1s. a gallon and 10 per cent.; marble, 10 per cent.; timber, undressed for box-making, 7s. a hundred super feet; ditto, dressed, 8s.; fancy goods generally and jewellery, 10 per cent.; gramophones, 25 per cent. British, 30 per cent. general; leather, manufactured, 10 per cent.; boots, 10 per cent. British, 15 per cent. general; rubber, 10 per cent.; wrapping paper, 2/6 a cwt.; stationery, 15 per cent.; motor car chassis assembled, general rate 5 per cent. increase. A new rate has been imposed on motor gears of 3s. a lb., or 45 per cent. British, and 4s. a lb.; cordage and twine, 10 per cent. increase.

"The President of the Associated Chambers of Manufactures (Mr. R. A. Marks) said to-day: Generally speaking we are very pleased with the Budget and the new tariff. In the first place we think that the Ministry was faced with a difficult task in view of the shortness of the time in which it had to prepare the Budget, and secondly the Ministry's decisions give evidence

of its intentions to give effect to its election promise for the introduction of an effective tariff. I think that in many directions the tariff is going to lead to an increase in employment, and it does not mean that there is going to be an increase in the cost of Australian goods. Many employers believe that they can reduce the present prices if production is increased and a demand made for goods in the Australian markets. We have for some time been asking for effective protection and we are now pleased to have an opportunity to test it."

Extract from Press message from Canberra published in the "West Australian," 20th June, 1930.

"Increased duties on 113 items and sub-items in the Customs Tariff. . . are proposed in a Schedule introduced in the House of Representatives to-day On 24 of the items in the November and December Schedules, the duties have been further increased Wireless sets have been made liable to higher duties The classification of motor chassis has been varied by excluding tyres and tubes. Storage batteries, shock absorbers, bumper bars, sparking plugs, springs, shackle bolts, bonnets, instrument boards, and numerous other accessories, which will be liable under different sub-items to separate duties. This change really amounts to a substantial increase in the duties on motor chassis. All rates for tyre covers and tubes have been increased, as well as those on numerous motor car parts.

"At present, iron and steel plates and sheets exceeding one-eighth of an inch in thickness carry duties of 48s. (British preferential), 68s. (intermediate), and 85s. (general). From July 1, 1931, deferred duties of 90s., 120s., and 145s., respectively, are provided. These will probably be brought into operation from that date to give protection to Australian Iron and Steel Limited, which is establishing a plant for the manufacture of these classes of plates. Under each section of the tariff, there will be an increase of 20s. a ton in galvanised iron, which amounts to the rate of the bounty paid on the production of the galvanised iron in Australia. Another deferred duty is provided for on sewing machine heads. After January 1st next, the present duties of 10s., 15s., and 20s., will be increased to £2 10s., £3, and £3 10s., respectively. The Federal Ministry intends to introduce legislation shortly to provide for the payment of a bounty of £2 on each sewing machine head manufactured in Australia.

"Considerably increased duties have also been imposed on news ink, many classes of tools, trade machines and machinery, and motive power machinery and appliances. The duty of £10 a ton on carbide of calcium has been increased by the imposition of a new duty of 2d. per lb. The rates on tartaric acid, cream of tartar, and substitutes will in future be 5d., 7d., and 8d. a lb., instead of 2d., 3d., and 4d. An additional duty of 1½d. a lb. has been imposed on clean rice. On certain groceries, including culinary and flavouring essences and several other goods for household use, the rates have been increased by 20 per cent., except in the case of the British Tariff, where the increase is 15 per cent.

"For woollen piece goods, ordinarily used in the manufacture of outer clothing for human wear, the duties have been increased from 1s. 3d., 2s., and 2s. 6d. a square yard, to 2s., 2s. 6d., and 3s., and the classification has been altered by restricting the weight of such goods to three ounces a square

yard instead of to six ounces . . . Packages in which goods are imported, when containing any goods which are classifiable under any item in the tariff which provides for ad valorem, alternative, or composite duties, will be liable to ad valorem duties of 20 per cent., 25 per cent., and 30 per cent. Previously these outside packages, most of which are cases, were admitted duty free.

"The Acting Minister for Trade and Customs (Mr. Forde) in Committee of Ways and Means after tabling the new schedule, said in explanation of certain omissions that more than 1,400 requests for additional protection had been received, and that he had heard more than 350 depositions. . . . Mr. Forde said that . . . the policy of giving protection to Australian industries would tend to establish for the primary producer the very best market—the local market. The butter, dried fruit and sugar industries might be cited, but the position in many other industries was the same in principle. Butter, dried fruits, and sugar were sold abroad at much less than the Australian price. If half the present exports could be sold in Australia the extra return on the three products would be approximately £2,865,000 a year."

APPENDIX No. 33.

COMMONWEALTH CUSTOMS TARIFF 1933

No. 27.

IMPORT DUTIES.

DIVISION V.—TEXTILES, FELTS AND FURS, AND MANUFACTURES THEREOF, AND ATTIRE.

(NOTE.—The number of items in the fifteen other Divisions of the Customs Tariff are as indicated on page 250 of this Case.)

Tariff Items.	British Preferential Tariff.	General Tariff.
105. Piece Goods,* viz. :—		
(A) (1) (a) Cotton, Linen, and other piece goods, n.e.i. ad. val.	5 per cent.	25 per cent.
(b) Cotton Piece Goods ordinarily used for manufacture into outer clothing for human wear which in pattern design or appearance resemble woollen piece goods used for the same purpose and which weigh more than 3 ounces per square yard (except piece goods enumerated in sub-item (AA)) ... { per square yard and ad val. or ad val.	6d. 20 per cent. 35 per cent.	1s. 40 per cent. 55 per cent.
whichever rate returns the higher duty.		
(2) Calico for bag making, as prescribed by Departmental By-laws	Free	Free
(AA) Piece Goods, Knitted or Lock-stitched, in tubular form or otherwise, of any material except when wholly of wool—		
(1) For the manufacture of goods other than apparel, as prescribed by Departmental By-laws ad. val.	Free	15 per cent.
(2) Other per lb. or ad val.	2s. 35 per cent.	4s. 55 per cent.
whichever rate returns the higher duty.		
(B) Cotton and Linen Piece Goods defined for cutting up for the manufacture of hemmed or hem-stitched Handkerchiefs, Serviettes, Tablecloths, or Window Blinds, as prescribed by Departmental By-laws ad val.	5 per cent.	25 per cent.
(c) Piece Goods, n.e.i., other than of wool or silk, suitable for human apparel, or to be worn in connection with the human body, having on one or both sides a teased, treated, combed, fluffed, or raised nap or surface in imitation of or resembling flannel in feel or appearance ad. val.	5 per cent.	25 per cent.
(D) (1) Artificial Silk, or containing artificial silk or having artificial silk worked thereon, except piece goods enumerated in sub-paragraph (b) of paragraph (1) of sub-item (A) and in sub-items (AA) and (F) ad val.	20 per cent.	40 per cent.
(2) Silk, or containing silk or having silk worked thereon, except piece goods enumerated in sub-paragraph (b) of paragraph (1) of sub-item (A), in paragraph (1) of sub-item (D), and in sub-items (AA) and (F) ad val.	10 per cent.	30 per cent.

* DEFINITION OF PIECE GOODS.—When material is defined by selvedge or by pattern for cutting up into separate articles, and is not elsewhere specified, it is not to be considered piece goods but as dutiable under the heading applying to the article into which it is designed to be made. Tasselled, whipped (with or without loops), or taped curtain material, when not defined for cutting up, is to be considered Piece Goods.

APPENDIX No. 33—*continued.*IMPORT DUTIES—*continued.*

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
105.— <i>continued.</i>		
(B) (1) Velvets, Velveteens, Plushes, Sealette and Cloths imitating furs, Astrachans; Italians containing wool ad val. And on and after 27th October, 1933	15 per cent.	30 per cent.
(1) Velvets, Velveteens, Plushes, Sealette and Cloths imitating furs, Astrachans ad val.	15 per cent.	30 per cent.
(2) Lace for Attire; Lace Flouncings; Millinery and Dress Nets; Veilings; Embroideries in the piece; Tucked Linens or Cottons ad val. On and after 27th October, 1933	15 per cent.	40 per cent.
(3) Italians containing wool ad val.	5 per cent.	25 per cent.
(F) (1) Piece Goods, woollen, or containing wool, ordinarily used in the manufacture of outer clothing for human wear and weighing more than three ounces per square yard per square yard and ad val.	1s. 30 per cent.	2s. 50 per cent.
(2) Piece Goods, woollen, or containing wool, n.e.i. ad val.	35 per cent.	55 per cent.
(3) Piece Goods, woollen, or containing wool, n.e.i., of a class or kind not produced in Australia, as prescribed by Departmental By-laws ad val.	15 per cent.	30 per cent.
(4) Piece Goods, felt, of wool or containing wool per square yard and ad val. And on and after 9th March, 1933	9d. 20 per cent.	1s. 6d. 37½ per cent.
(4) Piece Goods, felt, of wool or containing wool— (a) Slipper Upper Felt per square yard and ad val.	6d. 20 per cent.	1s. 3d. 37½ per cent.
(b) N.E.I. per square yard and ad val.	9d. 20 per cent.	1s. 6d. 37½ per cent.
(5) Piece Goods, felt, composed of hair; Piece Goods, felt, n.e.i. ad val.	35 per cent.	55 per cent.
(G) Hair Cloth and Cloth of Hair in combination with other fibres for interlining apparel per square yard or ad val. whichever rate returns the higher duty.	6d. 45 per cent.	8d. 65 per cent.
(H) (1) Waterproofed Cloth, n.e.i., prepared with rubber, oil, celluloid or nitro-cellulose ad val.	35 per cent.	55 per cent.
(2) Waterproofed Tape or Textile Strip— (a) Prepared with rubber, oil, celluloid or nitro-cellulose ad val.	35 per cent.	55 per cent.
(b) N.E.I. ad val.	Free	15 per cent.
(I) Piece goods dutiable at a higher rate than that payable under this sub-item, imported for the manufacture of waterproofed piece goods, as prescribed by Departmental By-laws ... ad val.	10 per cent.	25 per cent.
(J) (1) Leather Cloth and Leather Cloth Binding prepared with rubber, oil, celluloid or nitro-cellulose; Bookbinders' Cloth prepared with nitro-cellulose ad val.	35 per cent.	55 per cent.
(2) Oil baize and fabrics similar to oil baize prepared with rubber, oil, celluloid or nitro-cellulose— (a) As prescribed by Departmental By-laws ad val.	5 per cent.	25 per cent.
(b) N.E.I. ad val.	35 per cent.	55 per cent.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
105.—continued.		
(κ) Piece goods of a class or kind not produced in Australia which would otherwise be dutiable at a higher rate than that payable under this sub-item imported for use in the manufacture of neck-ties, as prescribed by Departmental By-laws—		
(1) Silk or in chief part by weight silk ; wool or in chief part by weight wool and admixtures of wool and silk ... ad val.	10 per cent.	20 per cent.
(2) Other ... ad val.	20 per cent.	25 per cent.
106. (A) Cotton Featherstitch Braids ; Piping ; Tinsel Cloth ; Tinsel Belting, having warp or weft composed wholly of tinsel or of continuous threads of tinsel and an alternate thread of textile ; Tinsel Thread ... ad val.	Free	15 per cent.
(B) Trimmings and Ornaments, n.e.i. for Hats, Shoes, and other attire, not being partly or wholly of gold or silver ; Braids n.e.i. ; Fringes n.e.i. ; Frillings ; Rufflings ; Pleatings ; Ruchings ; Galoons n.e.i. ; Ribbons n.e.i. ; Tinselled Belting n.e.i. ; Webbing n.e.i. ; Belting for apparel not elsewhere specified and not being cut to lengths for belts ... ad val.	Free	25 per cent.
(C) Braids, Straw or Grass, for hat-making—		
(1) Not bleached or dyed ... ad val.	Free	Free
(2) Bleached or dyed ... ad val.	5 per cent.	10 per cent.
(D) Badges, Emblems, and the like (other than those of woven or embroidered material)—		
(1) Partly or wholly of gold or silver ... ad val.	50 per cent.	70 per cent.
(2) Wholly of metal (not being partly or wholly of gold or silver) including metal enamelled ... ad val.	30 per cent.	50 per cent.
(3) N.E.I. ... ad val.	Free	25 per cent.
(E) Buckles Clasps and Slides for Hats Shoes and other attire—		
(1) Partly or wholly of gold or silver ... ad val.	50 per cent.	70 per cent.
(2) Wholly of metal (not being partly or wholly of gold or silver), including metal enamelled ... ad val.	45 per cent.	65 per cent.
(3) Non-metallic, other than those made of glass or tinsel, with or without metal fittings or metal fastening devices, ad val. And on and after 9th March, 1933	30 per cent.	50 per cent.
(3) Non-metallic, other than those made of glass or tinsel, with or without metal fittings or metal fastening devices ad val.	20 per cent.	50 per cent.
(4) N.E.I. ... ad val.	Free	25 per cent.
(F) Buttons, n.e.i., including blanks and those partly finished—		
(1) Partly or wholly of gold or silver ... ad val.	50 per cent.	70 per cent.
(2) Wholly of metal (not being partly or wholly of gold or silver) excepting trouser buttons ... ad val.	40 per cent.	60 per cent.
(3) Non metallic, other than those made of glass or tinsel and those specified in paragraph (4) of this sub-item, with or without metal fittings or metal fastening devices ; Cloth Covered ... ad val.	30 per cent.	50 per cent.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
106.—continued.		
(F)—continued.		
And on and after 9th March, 1933		
(3) Non-metallic, other than those made of glass or tinsel and those specified in paragraph (4) of this sub-item, with or without metal fittings or metal fastening devices : cloth covered ad val.	20 per cent.	50 per cent.
(4) Trochus, Pearl, or other Animal Shell, and imitations of trochus or pearl shell ad val.	15 per cent.	30 per cent.
(5) Other ad val.	Free	15 per cent.
107. (A) Woven and Embroidered Materials in the piece or otherwise :—Badges, Hat and Cap Fronts (badged), Medal Ribbons, Looping for Boots and Shoes ; Labels and Hangers for all purposes including plain Hanger Material ; Tubular Tie Material in the piece ; Galoons Bands or Bandings Tapes and the like having printed woven or embroidered lettering badge trade name or mark or design thereon ; Slipper, Shoe, and Blazer Bindings ad val.	45 per cent.	70 per cent.
(B) Ribbons and Galoons having not more than 48 ribs to the lineal inch and being not more than three and a half inches in width ad val.	45 per cent.	70 per cent.
And on and after 27th October, 1933		
107. (A) Woven and Embroidered Materials in the piece or otherwise :—Badges, Hat and Cap Fronts (badged), Medal Ribbons (not being water-waved), Looping for Boots and Shoes ; Labels and Hangers for all purposes including plain Hanger Material ; Tubular Tie Material in the piece ; Galoons Bands or Bandings Tapes and the like having printed woven or embroidered lettering badge trade name or mark or design thereon ; Ribbons (not being water-waved) and Galoons having not more than 48 ribs to the lineal inch and being not more than three and a half inches in width ; Slipper, Shoe, and Blazer Bindings ad val.	35 per cent.	60 per cent.
(B) Regalia Ribbons for use in the manufacture of Lodge Regalia, as prescribed by Departmental By-laws ad val.	Free	25 per cent.
108. (A) (1) Feathers, undressed, and Down ad val.	15 per cent.	15 per cent.
(2) Feathers, undressed, as prescribed by Departmental By-laws	Free	Free
(B) Feathers, dressed, including Feathers made up into trimmings ; also Natural Birds and Wings ad val.	30 per cent.	50 per cent.
109. Artificial Flowers, Fruits, Plants, Leaves, and Grains, of all kinds and materials ad val.	45 per cent.	70 per cent.
110. (A) Apparel, other than knitted, viz. :—		
(1) Overcoats and Suits :		
(a) Men's, i.e., with chest measurement of 34 inches and over each	15s.	25s.
(b) Boys' and Youths' each	10s.	15s.
(2) (a) Trousers or Knickers with waist measurement of 31 inches and over, imported separately each	6s.	8s. 6d.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
110.—continued.		
(A)—continued.		
(b) Trousers or Knickers with waist measurement less than 31 inches imported separately each	4s.	8s.
(c) Coats and Vests, Men's, <i>i.e.</i> , with chest measurement of 34 inches and over, imported separately—		
(1) each Coat	9s.	15s.
(2) each Vest	3s.	5s.
(d) Coats and Vests, Boys' and Youths', <i>i.e.</i> , with chest measurement less than 34 inches, imported separately—		
(1) each Coat	6s.	13s.
(2) each Vest	2s.	5s.
(3) Blouses or Skirts imported separately—		
(a) Cotton, linen, or other material n.e.i. each	2s.	4s.
(b) Wool or containing wool each	7s.	11s.
(c) Silk or containing silk but not containing wool each	4s.	8s.
(4) Coats—		
(a) Girls', n.e.i., <i>i.e.</i> , measuring 42 inches or less from collar seam to foot of coat, viz.:—		
(1) Cotton, linen, or other material n.e.i. each	4s.	6s.
(2) Wool or containing wool each	9s.	13s.
(3) Silk or containing silk but not containing wool each	6s.	10s.
(b) Women's, n.e.i. viz.:—		
(1) Cotton, linen, or other material n.e.i. each	8s.	13s.
(2) Wool or containing wool each	13s.	20s.
(3) Silk or containing silk but not containing wool each	10s.	17s.
(5) Costumes, Dresses, or Robes, but not including Dresses or Robes for infants in arms, or such articles when not exceeding 22 inches in length, viz.:—		
(a) Cotton, linen, or other material n.e.i. each	6s.	12s.
(b) Wool or containing wool each	15s.	25s.
(c) Silk or containing silk but not containing wool each	12s.	20s.
(B) Apparel, knitted, and Apparel made from knitted or lock-stitched piece goods, viz.:—		
(1) Blouses, Skirts, Underware, and Bathing Costumes:—		
(a) Cotton or other material n.e.i. each	2s.	4s.
(b) Wool or silk or containing wool or silk each	5s.	9s.
(2) Coats, Jumpers, Cardigans, Sweaters, and similar garments:—		
(a) Girls' or Boys', <i>i.e.</i> , with chest measurement under 34 inches each	4s.	6s.
(b) Women's or Men's, <i>i.e.</i> , with chest measurement 34 inches and over each	8s.	13s.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
110.—continued.		
(B)—continued.		
(3) Costumes, Dresses or Robes :		
(a) Cotton or other material n.e.i. ... each	6s.	12s.
(b) Wool or containing wool but not containing silk ... each	11s.	21s.
(c) Silk or containing silk ... each	15s.	30s.
and in addition to the rates specified in sub-items (A) and (B) ... ad val.	30 per cent.	50 per cent.
or, as to all the goods covered by sub-items (A) and (B), the following rates if same return a higher duty, viz. :—	60 per cent.	75 per cent.
(C) Corsets ... ad val.	30 per cent.	50 per cent.
(D) Apparel, n.e.i., for the human body, partly or wholly made up, including materials cut into shape therefor ; also material bearing any pattern design or marking for the purpose of indicating that it is to be made up into separate articles of apparel ; Boxed Robes ; Apparel not otherwise subject to a lower rate of duty and not imported for sale or trade and not exceeding a total value of £5 ... ad val.	45 per cent.	65 per cent.
(E) Neck Ties for human wear ... per dozen	3s.	4s. 6d.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
111. Articles of natural or imitation hair :—		
(A) Wigs, Transformations, and Fringes including Scalps or Patches... each	10s.	12s.
or ad val.	20 per cent.	25 per cent.
whichever rate returns the higher duty.		
(B) Switches ... each	5s.	6s.
or ad val.	20 per cent.	25 per cent.
whichever rate returns the higher duty.		
(C) Hair Nets, and n.e.i. ... ad val.	20 per cent.	37½ per cent.
112. Furs and other Skins and articles made thereof :—		
(A) Apparel or Attire or other Article in part or wholly made up, including Furs or other Skins sewn together, parts of Furs or other Skins sewn together, Fur Trimmings and imitation Fur Tails ... ad val.	60 per cent.	75 per cent.
(B) (1) Fur and other Skins n.e.i. (except rabbit skins), dressed or prepared for making up ... ad val.	15 per cent.	30 per cent.
(2) Rabbit Skins dressed or prepared for making up ... per doz. skins	10s.	10s.
or ad val.	25 per cent.	42½ per cent.
whichever rate returns the higher duty.		
(C) Hatters' Fur, not on the skin ... ad val.	15 per cent.	25 per cent.
113. Gloves (except of rubber), viz. :—		
(A) Harvesting, Driving, Housemaids', and Gardening ... per doz. pairs	2s.	3s.
or ad val.	25 per cent.	42½ per cent.
whichever rate returns the higher duty.		
(B) N.E.I. including Mittens ... ad val.	Free	25 per cent.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
114. Hats, Caps, and Bonnets—		
(A) Firemen's Helmets and Miners' Hats ... ad val.	Free	10 per cent.
(B) Wool Felt Hats for men and boys in any stage of manufacture including wool felt hoods therefor per doz.	30s.	50s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
(B) Wool Felt Hats in any stage of manufacture for men and boys, including wool felt hoods therefor per dozen	22s. 6d.	42s. 6d.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
(c) Fur Felt Hats for men and boys in any stage of manufacture including fur felt hoods therefor per doz.	48s.	72s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
(c) Fur Felt Hats in any stage of manufacture for men and boys, including fur felt hoods therefor per dozen	36s.	60s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
(D) Caps n.e.i. per doz.	15s.	17s.
and ad val.	35 per cent.	55 per cent.
(E) Wool Felt Hoods for girls' and women's hats per doz.	20s.	30s.
or ad val.	35 per cent.	55 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
(E) Hoods for girls' and women's hats, viz. :—		
(1) Wool Felt Hoods per dozen	10s.	20s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
(2) Fur Felt Hoods and Velour Hoods per doz.	24s.	39s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
For the purposes of paragraph (1) of this sub-item the term "Hoods" includes hoods in any stage of manufacture up to but not in- cluding the defining of the brim.		
(F) Felt hats and felt capelines for women and girls, Fur Felt hoods for women's and girls' hats, Berets, Women's and Girls' caps (other than bathing) of any material; Hats and Bonnets n.e.i. per doz.	45s.	60s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
(F) (1) Felt Capelines for girls' and women's hats per dozen	24s.	39s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
(2) Felt Hats for girls and women; Berets; Girls' and Women's Caps (other than bath- ing) of any material; Hats n.e.i. and Bonnets per dozen	45s.	60s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
114.—continued.		
(g) Hoods other than of felt—		
(1) Panama and Pandan plaited from the tip of the crown to the base of the brim and which do not contain any thread straws or other material joining the plaits or other material together	45 per cent.	65 per cent.
(2) Other	18s.	24s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
(g) Hoods other than of felt	45 per cent.	65 per cent.
(h) Bathing Hats and Bathing Caps of rubber or other material	12s.	16s.
or ad val.	35 per cent.	55 per cent.
whichever rate returns the higher duty.		
115. (A) Socks* for human attire—		
* The word "Socks" means any hose for human wear which when worn does not cover the knee.		
(1) Cotton	20s.	30s.
or ad val.	50 per cent.	70 per cent.
whichever rate returns the higher duty.		
(2) Woollen or containing wool	17s. 6d.	25s. 6d.
or ad val.	50 per cent.	70 per cent.
whichever rate returns the higher duty.		
(3) Silk or containing silk but not containing wool, and n.e.i.	20s.	30s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
(B) Stockings† for human attire—		
† The word "Stockings" means any hose for human wear which when worn covers the knee.		
(1) Cotton	30s.	50s.
or ad val.	50 per cent.	70 per cent.
whichever rate returns the higher duty.		
(2) Woollen or containing wool	25s.	35s.
or ad val.	50 per cent.	70 per cent.
whichever rate returns the higher duty.		
(3) Silk or containing silk but not containing wool, and n.e.i.	30s.	50s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
And on and after 9th March, 1933		
115. (A) Socks*	12s.	25s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
* The word "Socks" means any hose for human wear which when worn does not cover the knee.		
(B) Stockings†—		
(1) Cotton ; silk or containing silk ; and n.e.i.	15s.	35s.
per doz. pairs	45 per cent.	65 per cent.
or ad val.		
whichever rate returns the higher duty.		
(2) Woollen	15s.	30s.
or ad val.	45 per cent.	65 per cent.
whichever rate returns the higher duty.		
† The word "Stockings" means any hose for human wear which when worn covers the knee.		

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
116. Parasols, Sunshades, and Umbrellas, n.e.i. ... ad val.	30 per cent.	50 per cent.
117. Blankets, n.e.i. (except of Rubber); Blanketing; Lap Dusters; Rugs n.e.i., including Buggy Rugs or Aprons but not including Fur or other Skin Rugs, and Rugging ad val.	35 per cent.	55 per cent.
118. (A) Carpets, Carpeting, Floor Cloths n.e.i., Floor and Carriage Mats of any textile material except coir; Floor Rugs and Coverings n.e.i., not being of rubber and not being Furs or other Skins or Carpet Felt Under Carpet Felt or Carpet Felt Paper; Saddlebag in the piece or otherwise ... ad val.	15 per cent.	30 per cent.
(B) Roof coverings in the piece, Floor Coverings, and similar materials, surfaced or unsurfaced, consist- ing of felt, textile, or paper base, impregnated or laminated with bitumastic, asphaltic, tar or pitch emulsions or similar preparations; damp- course and similar materials in sheets or rolls ... ad val.	45 per cent.	65 per cent.
(C) Linoleums and Floor Coverings having a similar surface to linoleums ad val.	20 per cent.	37½ per cent.
119. Articles of Coir, viz.:—Fenders, Mats and Matting including Cricket Matting ad val.	20 per cent.	35 per cent.
120. (A) Articles, Textile, as under, not being piece goods, viz.:— Articles of Furnishing Drapery and Napery, including Quilts n.e.i., Table Covers, Doyleys, Tray Cloths, Sheets, Pillow Cases and Covers, Bolster Cases, Counterpanes, Bed Spreads, Table Mats, Splashes, Tablecloths, Runners, Mantel Borders, Toilet Sets, Bags for Linen, Brush and Comb Bags, Nightdress Cases, Handkerchief Sachets, and the like, Cosies and Cushions in part or wholly made up— (1) When not containing wool ... ad val. (2) When containing wool ... ad val. And on and after 6th May, 1933	30 per cent. 45 per cent.	50 per cent. 65 per cent.
(A) Articles, Textile, as under, not being piece goods, viz.:— Articles of Furnishing Drapery and Napery, including Quilts, n.e.i., Table Covers, Doyleys, Tray Cloths, Sheets, Pillow Cases and Covers, Bolster Cases, Counterpanes, Bed Spreads, Table Mats, Splashes, Tablecloths, Runners, Mantel Borders, Toilet Sets, Bags for Linen, Brush and Comb Bags, Nightdress Cases, Handkerchief Sachets, and the like, Cosies, and Cushions in part or wholly made up— (1) When not containing wool ... ad val. (2) When containing wool ... ad val.	25 per cent. 35 per cent.	45 per cent. 55 per cent.
(AA) Feather or Down Quilts ad val.	45 per cent.	65 per cent.
(B) (1) Cotton or Linen Handkerchiefs ... ad val.	35 per cent.	55 per cent.
(2) Cotton or Linen Serviettes ad val. And on and after 6th May, 1933	30 per cent.	50 per cent.
(B) (1) Cotton or Linen Handkerchiefs ... ad val. or per doz.	30 per cent.	50 per cent. ls.
whichever rate returns the higher duty.		
(2) Cotton or Linen Serviettes ad val.	25 per cent.	45 per cent.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
120.—continued.		
(c) (1) (a) Huckaback towels, cut or uncut; Huckaback towelling in the piece whether defined or not for cutting up ... ad val.	5 per cent.	25 per cent.
(b) Towels n.e.i., cut or uncut; Towelling n.e.i., in the piece whether defined or not for cutting up; Terry Cloth and Terry Robing in the piece ... ad val.	40 per cent.	60 per cent.
(2) Towelling in the piece defined for cutting up, of a class or kind not manufactured in Australia, as prescribed by Departmental By-laws ... ad val.	10 per cent.	30 per cent.
(3) Towelling in the piece not defined for cutting up, of a class or kind not manufactured in Australia, as prescribed by Departmental By-laws ... ad val.	5 per cent.	25 per cent.
(d) Cotton and Linen Tablecloths Handkerchiefs and Serviettes imported in an unhemmed, unpressed and unboxed condition, as prescribed by Departmental By-laws ... ad val. On and after 9th March, 1933	5 per cent.	25 per cent.
(e) Sponge Cloths or Sweat Rags ... ad val. And on and after 27th October, 1933	40 per cent.	60 per cent.
(e) Sponge Cloths, Sweat Rags and Dorset Cloths, and material in the piece for the manufacture thereof ad val.	40 per cent.	60 per cent.
121. (A) Curtains and Blinds, n.e.i. (not including blinds attached to rollers)— (1) When not containing wool ... ad val. (2) When containing wool ... ad val.	20 per cent. 35 per cent.	35 per cent. 50 per cent.
(B) Curtain Clips, Bands, Loops and Holders, and Blind Tassels ... ad val.	Free	10 per cent.
122. Articles n.e.i.—		
(A) Partly or wholly made up from textiles, or feathers, not included under items 108 or 110, and including materials cut into shape therefor ad val.	45 per cent.	65 per cent.
(B) Partly or wholly of felt including materials cut into shape therefor ... ad val. And on and after 9th March, 1933	60 per cent.	75 per cent.
122. (A) Articles n.e.i. partly or wholly made up from textiles or feathers, not included under items 108 or 110, including materials cut into shape therefor ad val.	30 per cent.	50 per cent.
(B) Articles n.e.i. partly or wholly of felt including materials cut into shape therefor ... ad val.	40 per cent.	60 per cent.
123. (A) Waddings and Cotton Wool—		
(1) Waddings, Cotton Wool (not medicated) n.e.i. ... per lb. or ad val. whichever rate returns the higher duty.	3d 20 per cent.	4d. 37½ per cent.
(2) Absorbent Cotton Wool (not medicated) per lb. or ad val. whichever rate returns the higher duty.	4d. 20 per cent.	6d. 37½ per cent.
(B) Waste, Engine cleaning ... ad val.	10 per cent.	30 per cent.
(C) Waste, Axle ... ad val.	10 per cent.	30 per cent.

APPENDIX No. 33—continued.

IMPORT DUTIES—continued.

Tariff Items.	British Preferential Tariff.	General Tariff.
Division V.—Textiles, Felts and Furs, and Manufactures thereof, and Attire—continued.		
124. Braids, Fringes, or Edgings, of textile materials, not being for attire ad val.	10 per cent.	35 per cent.
125. Felt for making polishing pads ad val.	Free	10 per cent.
126. (A) Saddlers' Webs, Upholsterers' Webs ad val.	Free	15 per cent.
(B) Collar Check, Collar Cloth, Saddlers' Kersey, and Saddlers' Serge per square yard	1s. 3d.	2s. 6d.
or ad val.	35 per cent.	55 per cent.
whichever rate returns the higher duty.		
127. Hop-cloth; Filter Cloth for mines and Filter and Press Cloth for oil mills ad val.	Free	10 per cent.
128. Milling Silk	Free	Free
129. (A) Hessians and Brattice Cloth; Jute Piece Goods ...	Free	Free
(B) Bookbinders' Cloth n.e.i.; Bunting ... ad val.	Free	15 per cent.
130. Canvas and Duck—		
(A) Waterproofed by treatment with any substance ad val.	20 per cent.	37½ per cent.
(B) Other ad val.	5 per cent.	25 per cent.
131. Tents, Sails, and Flags:—		
(A) Tents and Sails ad val.	15 per cent.	25 per cent.
(B) Flags and Banners over 1ft. in length ... ad val.	20 per cent.	30 per cent.
132. Diving Dresses ad val.	Free	10 per cent.
133. Bags and Sacks of Calico, Hessian n.e.i., and Linen, and Meat Wraps, whether partly or wholly made up; and Bags and Sacks, n.e.i. ad val.	20 per cent.	35 per cent.
134. (A) Bags, Sacks, Packs and Bales for Bran, Chaff, Potato, Onion, Coal and Wool; also Sugar Mats, Sugar, Corn and Flour Sacks	Free	Free
(B) Compressed Fodder Sacks and Ore Bags, as pres- cribed by Departmental By-laws	Free	Free
135. Accoutrements, Buttons, Braid, and Lace, for Naval and Military Uniforms, as prescribed by Depart- mental By-laws ad val.	Free	10 per cent.

APPENDIX No. 34.

Extracts from the Tariff Board's Report of 1927.

Pp. 18-21.

The Tariff Board ventured to sound a warning note in its last Annual Report as to the danger of the Tariff being used to bolster up an ever-increasing cost of production irrespective of any consideration being given to the ever-widening gaps between the standards maintained within the Commonwealth on the one hand and the United Kingdom and the Continent of Europe on the other. For performing this function, which the Board considers to be its duty in terms of Section 17 of the Tariff Board Act, it has been subjected to adverse criticism by some members in the Federal House of Parliament. . . . The Tariff Board considers it obligatory upon it, not only to refer to this very critical matter, again, but to re-affirm and further emphasise the warning it issued last year, being convinced that the situation has become even more ominous. The comments in the Board's last Annual Report just referred to were in the main the outcome of an investigation made by the Tariff Board into requests for increased duties on certain products of the iron and steel industry. . . . Now it must be remembered that the Tariff was increased upon a number of items in September, 1925, so that part of this revenue is due to this fact. Duties, for instance, were raised upon machines, machinery, iron and steel, etc. The Board, however, is in a position to affirm that such increased duties have largely failed to achieve their objective and instead of an expansion of manufacture the figures reveal rather stagnation, notwithstanding the fact that the Tariff increases were granted to stimulate such manufacture in Australia. . . . In so far as recent increases in Customs Revenue have been due to the collection of higher duties imposed with the object of discouraging the importation of the appliances or commodities on which such duties were imposed, the increased amount collected represented in the case of goods used in manufacture an addition to the cost of production, which indirectly increased the cost of living; and to the extent that any such increased revenue was due to the imposition of duty on commodities imported in the form in which they are consumed, it represented a direct increase in the cost of living. Such additional revenue is undesirable, and the sums involved would be far better in the hands of the indirect taxpayers—whether State Government activities or undertakings conducted by private enterprise—or the general public."

Pp. 21-24.

The Abuse of Protection.

"The Board regrets being compelled to place on record its conclusions, arrived at after the most intimate touch with all phases of industry within the Commonwealth, that there is a prevailing tendency which is calculated to abuse the protective system and by forcing the pace under disadvantageous conditions to actually endanger the efficacy of the system. This tendency is not confined to one section alone, but is common to the industrial unions, the secondary producers and the primary producers of the Com-

monwealth It cannot be blind to the fact that simultaneously with the Board being asked to consider large increases in duties on such important industries as—

Timber	Butter and Cheese
Engineering	Glassware
Iron and Steel	Clothing
Brushware	Textiles
Copper (bonus)	

with the object of enabling such industries to exist, applications had been lodged and Arbitration Courts—Federal and State—had been and were being asked to grant not only increased wages but further improved conditions and shorter hours, and State Governments were introducing legislation at the time which further added to the already high cost of production. . . . Manufacturers have been known to request additional protection to enable them to continue working a plant to produce goods in competition with those produced overseas by the use of more up-to-date machinery which greatly improves production at lessened cost. . . . Another feature of the situation is the use made by manufacturers of profits arising as the result of a high degree of protection. . . . In an industry that tends to be a monopoly, this is more than ever important and essential. Where a highly protected industry returns to its shareholders dividends considerably in excess of the ordinary commercial rates, it is obvious that the object of the protective duties is being abused and that an appreciable portion of the profits disclosed should have been devoted to reductions in prices rather than as payments to shareholders. The Board calls pointed attention to this state of affairs, which if it continues, may involve consideration of whether the duties imposed have not been higher than were necessary to protect the industry. . . . In addition to the tendency to the abuse of the protectionist system by industrial unions and by manufacturers in the directions already referred to, the primary producer is disposed frequently to do likewise. It is quite obvious that both primary and secondary producers expect to hold their own domestic market against all outsiders. Costs of production are now so heavy in Australia that in order to effect this object, the Tariff on primary, and especially secondary commodities, has to be kept high, and if production costs are not checked, may have to be raised still higher. . . . This characteristic is illustrated by the applications of the primary producer for embargoes either by Tariff or other means against competition, not merely from foreign countries, but from sister dominions. Such examples as sugar, hops, millet, maize, potatoes, bananas, peanuts, tomatoes, eggs, butter, cheese, wine, tobacco, and dried fruits can be cited as illustrating this tendency.”

Extracts from the Tariff Board's Report of 1928.

P. 15.

“While not endeavouring to usurp the functions of the Minister or of the Parliament the Board desires to point out that as regards some of the most important subjects investigated by the Board, either the Minister of the day or the Parliament has seen fit to act otherwise than in accordance with the recommendation of the Board. Instances of important subjects on which the recommendations of the Board have not been adopted are the reports on the Cotton Bounty and on the import duties affecting the Iron and Steel Industry and the Timber Industry.

"The point that it is desired to make is that the tariff action recently taken in these important matters was contrary to the recommendation of the body appointed by Parliament to investigate and recommend, and if the tariff on these subjects should be amongst those considered to be unscientific, then the Tariff Board has no responsibility for the faulty framing thereof.

"The method adopted by interested parties to influence departure from the Tariff Board's recommendation is worthy of study and deserving of strong comment. It has happened, after the Tariff Board has held an inquiry, at which over a hundred witnesses were publicly examined on oath, has carefully studied the whole of the public and confidential evidence, and has presented a recommendation to the Minister that a few men, parties to the application, have made representations to members of Parliament and to the Government which have resulted in the setting aside of the weight of public evidence and the studied recommendation of the Board.

"Different industries have been developed to a particular degree in the different States of the Commonwealth. It has been a practice of persons working in Parliamentary lobbies in the interests of their concerns to procure assistance for their project by bargaining for reciprocal aid—one State group with another. This practice has been rather successful to the parties, but it has proved one of the strongest factors in preventing the enactment of a well-balanced tariff. Undoubtedly the principal object of the enactment of the Tariff Board Act requiring evidence to be publicly given and on oath, was to put an end as far as possible to the use by interested individuals of unfair influence exerted by the presentation of a one-sided view of the case under circumstances which allow of no considered answer from the opponents.

"These are some of the influences which are operating against the framing of a scientific tariff, and while the Board appreciates the difficulties of the position, it should be absolved of the responsibility for actions entirely outside its control."

High Cost of Production in Australia.

"One of the most serious difficulties which Australia has to face at present is the high cost of production of goods in the Commonwealth. For many years the cost of production generally has been increasing, and unfortunately these increases appear to have been maintained.

"If Australia were entirely isolated from overseas sources of supply and independent of them, and if it were also independent of overseas markets for the disposal of some of its products, high cost of production would matter less to its people. Seeing, however, that Australia is not isolated and is dependent to a large degree upon overseas markets, the seriousness of the position lies in the fact that the costs of production in competing countries have declined, while costs in Australia generally have risen—thus increasing the already wide margin of difference between the costs in overseas countries and those in Australia.

"Again and again applications are made for tariff assistance commensurate with the difference in costs of production in Australia and abroad. Many applications have succeeded, and the tariff wall is markedly rising. In the Customs Tariff, 1908, there were only eight items which provided *ad valorem* duties of 40 per cent, or over. Of these, six were 40 per cent. and the remaining two 45 per cent. In the existing Customs Tariff there

are 259 items or sub-items which provide *ad valorem* rates of 40 per cent. or over, as set out hereunder:—

93	providing 40 per cent.
72	providing 45 per cent.
35	providing 50 per cent.
19	providing 55 per cent.
38	providing 60 per cent.
2	providing 65 per cent.

(For the purpose of the above comparison, the rates under the General Tariff only have been used.)

“The disparity, comparing 1908 with 1928, in duties framed on specific lines, *i.e.*, per ton, per gallon, per pound, and the like, is probably equally as great as the disparity existing in the *ad valorem* rates.”

APPENDIX No. 35.

Extract from Tariff Board's Annual Report for the year ended 30th June, 1932 (p. 14).

THE HIGH COSTS OF LANDING IMPORTED GOODS UNDER EXISTING CONDITIONS.

"The cost of landing imported goods is at present excessive. The following examples indicate how the costs accumulate:—

	Window Glass (Belgium).	Band Sawing Machine (United King- dom).	Engine Lathe (United States of America).
	£ s. d.	£ s. d.	£ s. d.
F.O.B.	4 11 1	43 14 0	369 3 3
Freight and Insurance	1 10 11	6 18 9	35 1 10
Exchange	1 11 1	14 1 0	112 3 7
Primage	0 10 1	5 2 7	41 6 5
Duty on Outside Packages	0 8 8	0 15 2	2 2 11
Duty	6 13 9	26 8 9	304 11 1
Landed Cost	£15 5 7	£97 0 3	£864 9 1
Percentage of Duty and Charges on f.o.b. cost	235 per cent.	122 per cent.	134 per cent.

"The foregoing illustrations are only typical of very many lines, in some of which the percentages on f.o.b. costs are even greater than those quoted. The Board has assumed that the primage duty at present operating is not likely to remain permanently. Further, the exchange rate is subject to fluctuation. The protective incidence of both the primage duty and the exchange varies in proportion as the raw materials used in local production are imported or of Australian origin. The protective value of the exchange also varies according to whether or not raw material are exportable commodities. Apart from these considerations the exact protective effect of the exchange must tend to decrease as it influences local values and costs. After allowing for these considerations, however, the Board is faced with the position that high Customs duties plus primage duty, exchange, duty on packages, in addition to freight and landing charges, frequently represent a protection of over 100 per cent. on the f.o.b. price. In the opinion of the Board this position is dangerous and, as already indicated, is liable to result in the expenditure of capital on the installation of plant to manufacture in Australia commodities for which the demand is too limited or which for other reasons cannot be economically manufactured in Australia. Moreover, it may lead to the pegging of high prices for essential plant and material when the prosperity of the Commonwealth and the employment of the people are closely wrapped up with the reduction of prices of secondary products in keeping with the reduced spending power of the community."

CHAPTER 12.—WESTERN AUSTRALIA'S GREATEST BURDEN UNDER FEDERATION—AUSTRALIAN PROTECTION AND INTERSTATE FREE TRADE.

437. Under the provisions of the Commonwealth Constitution the Commonwealth Tariff must apply uniformly in all the States; the one single tariff wall must surround the whole of Australia; and trade between the States of the Commonwealth shall be absolutely free. That is a fundamental principle of Federation—its economic focus. So from a general discussion upon the trade and industry of Western Australia and of the tariff, pre-Federal and Federal, attention is now directed to a consideration of the disastrous effects upon Western Australia of Australian protection and interstate free trade.

Its effect upon the Primary Industries.

438. The burden of protection falls upon the export industries of wheat, wool and mining. Being dependent upon the world market for disposal, these industries cannot pass on their increased costs to the consumers, as is the case with manufacturing industries in Australia.

Wheat and Wool.

439. Since Western Australia is almost totally dependent upon the overseas market for the disposal of her production, in which wheat, flour and wool are so predominant and together provide 78 per cent. of the State's total merchandise exportable overseas, it seems almost superfluous to add that in order to insure the profitable and efficient conduct of her staple export industries, in order, indeed, to insure the existence of the State and the people of the State, production costs should be maintained at an irreducible minimum, thereby enabling those industries to show a margin of profit. It is equally necessary that in prosperous times, the margin of profit shall be sufficiently substantial to assist in building up reserves in order to tide producers over the inevitable periods of low prices overseas or adverse seasonal

conditions at home. The burden of protection, however, has so increased the cost of production of wheat and wool in Western Australia, as to preclude the reasonably profitable and efficient conduct of those industries even in prosperous times. During the past four years of world-wide depression these two industries have been carried on only at a very severe loss. This burden of protection—this increase in the cost of production—is of a two-fold nature; it arises directly in the form of increased prices which must be paid by the primary producer for his machinery and equipment, fencing and water schemes, building material, and certain fertilisers. Indirectly, and with even greater severity, it arises from the increase in the cost of machinery and material used generally for transport services and the increase in the cost of living to the community in general as a result of the tariff, all of which is ultimately passed on to the primary producer in the form of increased charges for transport and other services, and increased wages. The effects of the tariff on the wheat and wool industries of Western Australia are particularised in Appendices 36 to 42 inclusive at the end of this chapter.

440. In 1929-30 and earlier years when prices for wheat were still at the high level to which they had soared as a result of the war, and when a false prosperity was created by the local circulation of heavy borrowings from overseas, the profits arising from the conduct of primary industries were apparently then only sufficiently high to little more than cover the excess costs imposed by the tariff. For example, as far back as 1925, Mr. A. J. Monger (Foundation President of the Primary Producers' Association of Western Australia) and one of Western Australia's leading citizens, gave expression to the views of many competent observers when, in giving evidence before the Disabilities Commission, he declared:—

(1) "Our primary industries are carried on under a high protective tariff, which increases the cost of production in practically every direction, but we have to sell in the open markets of the world . . . If the prices of wheat and wool suffer in the future a considerable fall, the cost of production may well be found to exceed the value of these commodities on the market. The effect of such a fall would be calamitous, and might be the means of forcing many persons off the land. . . ."

(1) Quoted at par. 126 of Royal Commission's Report.

441. The Majority Report of the Disabilities Commission as presented in that year, contained the following observations and recommendations:—

..... (1) whatever benefit the Commonwealth protectionist policy may have conferred upon other States of the Commonwealth, it has not benefited the State of Western Australia; that the primary producers of the State of Western Australia have to pay more for their agricultural machinery, etc., than the primary producers of the Eastern States; that the primary producers of the State of Western Australia have not the benefit of home markets like Sydney, with its 1,008,500 population, or Melbourne, with its 885,700 population—home markets of such value that three-fourths of the primary products of New South Wales and Victoria, other than wheat or wool, are consumed within those States; that the primary producers of the State of Western Australia have to sell their products in the markets of the world; that it is impossible to give the primary producers of Western Australia relief by way of reduced Customs duties without injuring the secondary industries of the Eastern States; and that the only effective means of removing the chief disability of the State is to restore to the State, for a period of years, the absolute control of its own Customs and Excise.

442. The considered opinions, as quoted above, were expressed in 1925, when wheat was realising 6s. 1d. per bushel, and wool 2s. 2d. per lb., and the burden of high protection, which prompted the protests of the witnesses and the recommendations of the Commission, was that as imposed by the Massey-Greene Tariff of 1922; and at a time when the percentage of customs duty collected to the value of dutiable imports was 27 per cent.

443. It is no mystery, therefore, why the onset of the world depression found the wheatgrowers and the pastoralists without adequate reserves and wholly incapable of meeting such a crisis.

444. For the three years ended 30th June, 1933, the price of wheat has averaged less than 2s. 6d. per bushel, and wool 8½d. per lb.; while on the other hand the tariff burden has been tremendously increased as compared with what it was under the Massey-Greene Tariff of 1922 in that the percentage of customs duty collected to the value of dutiable imports rose to over 57 per cent. plus primage duty.

Gold.

445. The searchlight of public criticism was directed upon the burden of protection on the mining industry in general, and the gold-mining industry in particular, during the course

(1) Report of Commonwealth Royal Commission on Finances of Western Australia as affected by Federation (at paragraph 129)

of the inquiry in 1925 by the Royal Commission on the Disabilities of Western Australia under Federation; and the following statement by the Chairman of that Commission (Hon. W. G. Higgs) appears in paragraph 433 of the Commission's Report:—

"The Australian endeavour, by means of high protective duties and compulsory Conciliation and Arbitration Courts, to establish a high standard of comfort and living within the Commonwealth has, without a doubt, increased the cost of gold mining to such an extent that whereas the average mining costs were 19s. per ton of ore in 1916, they were 38s. per ton in 1924."

446. Such has been the burden of Australian protection upon the Western Australian gold mining industry, that that important industry would have almost ceased to exist had it not been for the revival caused by the rise of the price of gold in recent years.

447. Detailed illustrations of the manner in which the Federal Tariff directly increased the cost of production in the gold mining industry so as to make that industry unprofitable, are furnished in Appendices 43 to 45 inclusive at the end of this chapter. The mining industry, like the wheatgrowing industry, has also to bear the indirect burden of the tariff—the increased costs cannot be passed on.

448. Mining costs rose so high that many mines had to cease operations, and the value of the output of gold dwindled from £8,770,000 in 1903 to £1,602,000 in 1929. Employment in the industry and population on the goldfields naturally decreased proportionately.

449. As a further result of the high cost of production occasioned by the Federal tariff, higher values had to be milled and the output was constantly shrinking year by year. The most serious result, however, does not appear on the surface. The general practice of large mining companies is to maintain an "average" value of all the gold produced, so as to cover at least the cost of production and, if possible, show a slight margin of profit. A large ore body does not carry values regularly across its whole width, length and depth, but, by regular sampling, sufficient of the higher value can be introduced with the lower values to maintain a paying basis. If, therefore, costs increase, either more of the higher values or less of the lower values must be taken, and when this happens the low values can never again be recovered because of itself the low grade

ore would not pay for mining and treatment. It also had the effect of seriously reducing the payable ore reserves and thus reducing the life of the mine. With a knowledge of such conditions it could not be expected that shareholders of mining companies would be willing to find further capital to improve mining and treatment methods.

450. In 1923 the position of the big mining companies at Kalgoorlie was most precarious, and at a conference between the Minister for Mines and representatives of the Chamber of Mines, there was submitted to the Minister a table showing that although ample ore was available for treatment if costs were lower, the ore available for treatment at the then existing costs, amounted to only one year's supply. In view of this alarming position the State Government contributed towards a reduction of mining costs by making a substantial reduction (4s. per 1,000 gallons) in the price of water supplied to the mines—and this notwithstanding that the water supply undertaking was already being conducted at a loss. This concession, however, was withdrawn in 1932.

451. On the other hand, the Federal Government subsequently made heavy increases in the duties on mining machinery and equipment.

452. The depreciation of the currency and the rise in the price of gold now prevailing have eased the position for the present; but even so, the increased working costs on account of the burden of protection are absorbing an unreasonable amount of the proceeds realised from the sale of gold.

Other Primary Products.

453. Turning to primary industries, other than wheat and wool and gold, it will be found that although the Commonwealth protectionist policy has embraced some Australian primary producers, inasmuch as there has been created for their benefit an Australian market at an inflated price, *e.g.*, the sugar, the dried fruits, the wine, the rice, and the butter industries, little, if any, of such benefits have accrued to the producers in Western Australia, the majority of whom are wheat-growers and pastoralists. The main commodity which enjoys such a benefit in this State, *viz.*, butter, is an insignificant percentage of the total production of the State. In fact, like the sugar industry, the benefit of protection involves a net loss to the State.

454. The potato growing and other agricultural and horticultural industries, the cattle-raising section of the pastoral industry, the timber industry, and the fruit-growing industry in Western Australia, have all suffered increased costs after the manner explained in paragraph 439 in this chapter. Indeed, in Western Australia, which is ideally suited for fruit-growing, that industry is also deprived of a natural market for the outlet of its production, namely, a thriving jam-making and fruit processing industry, as explained in Appendix No. 25 at the end of Chapter 9 of this Case.

Its effect upon Manufacturing Industries.

455. By reason of its comparatively backward stage of development, Western Australia, unlike the other States, had few manufacturing industries at the time of Federation, and the result of the throwing down of the customs barrier between the State of Western Australia and the States in Eastern Australia, with their established and highly equipped factories, led to Western Australia becoming merely a customer of the Eastern States.

456. The position of the secondary industries in Western Australia since the establishment of Federation has always been one of a most difficult, if not hopeless, struggle against the established secondary industries in the Eastern States—a difficulty which has been accentuated by the added support which those industries have received from the fiscal policy of protection.

457. The cost of plant and material necessary to erect and equip a factory has been so increased by the tariff, that heavy capitalisation is an initial disability for any manufacturer who contemplates commencing business in Western Australia. Moreover, so much of the raw material which he requires can only be secured at exorbitant prices. Finally, his very limited local market makes it impossible for him, in most cases, to sell profitably at prices which will compete favourably with the prices (high though those prices may be) at which the manufacturers of the Eastern States can sell by reason of the benefits derived by them from mass production for an extensive local market. In some cases where a Western Australian manufacturer has commenced business and has been carrying it on successfully against legitimate competition from the Eastern States, the com-

peting manufacturers of the Eastern States have resorted to the sporadic ⁽¹⁾“dumping” of their products into Western Australia in order to drive him out of business.

458. It will be seen, therefore, that Australian protection affords no protection to the local manufacturer in Western Australia. Unrestricted interstate freetrade exposes him to the relentless competition of the powerful manufacturers of the Eastern States; and, in his relation with those manufacturers, it places him in the very position from which they, in their relation with British and overseas manufacturers, have ever demanded (and have been granted) the utmost protection.

459. Practically all the secondary industries in Western Australia are of a more or less domestic nature, and would exist in the State irrespective of whether protection or free-trade had been the accepted policy of the Commonwealth.

460. That the position of the secondary industries of Western Australia has ever been an impossible one under Federation, is evidenced by the extract from the Commonwealth Tariff Board's Report of 1924 as cited in Chapter 15 of this case.

461. The statistical tables which are furnished in appendices, Nos. 47 and 48, at the end of this chapter (from which are extracted the following particulars) confirm this position in a most convincing manner.

462. These comparative figures for the years 1903 and 1932 are very significant:—

WESTERN AUSTRALIA.

	Total Population.	No. of Employees in Industrial Establishments.
1903	226,955	11,828
1932 ...	421,609	13,392
Increase over the period	194,654	1,564

463. At the time of Federation the percentage of factory employees in Western Australia to the total number of factory employees in Australia was half as great again as in 1932.

464. While 534 persons were employed in industrial establishments per 10,000 of the mean population of the State in 1903, the proportion was reduced to 318 in 1932.

(1) See appendix No. 46 at the end of this chapter.

465 The foregoing facts are verified by the above-mentioned statistical tables.

466. It has already been shown in Chapter 10 that during the period 1922-23 to 1932-33 (both inclusive), imports of Australian products from the rest of the Commonwealth aggregated approximately £85,000,000 in value, and exports from Western Australia to other States in the same period were valued at approximately £13,000,000.

467. Particulars gleaned from the official statistics of Western Australia (Pocket Year Book, 1932, page 45) show that the occupational distribution of the male population has altered in the decade 1920-30 as follows:—

Industry.	1920.	1930.
Productive—		
Industrial Establishments	15,194	12,561
Gold Mining	7,087	4,452
Other Mining	1,409	990
Farming	14,439	23,289
Dairying	874	3,619
Fruit Growing	2,838	3,198
Pastoral	5,173	4,601
Pea ling	2,504	777
Fishing	514	692
Total	50,032	54,179
Government Railways	8,083	7,095
Government Tramways	556	604
Private Railways	648	549
Private Tramways	193	171
Motor Omnibus Services		299
	59 512	62 897

468. It will be noted from the foregoing table that the number employed in industrial establishments declined seriously in an era of great industrial expansion for the Commonwealth as a whole. Had it not been for the increase in the number employed in farming, the total employment in the State would have been diminished. It appears clear that the tariff policy of the Commonwealth has not had the effect of stimulating avenues of employment in Western Australia's secondary industries. On the contrary, Federation has retarded and prejudiced the growth of manufacturing industries in Western Australia; it has restricted the diversity of occupation, and has deprived the people of Western Australia of opportunities of employment.

A "Protection" which does not protect; and a "Free Trade" that is neither free nor fair.

469. It is with the economic aspect of this protective tariff that Western Australia is mainly concerned, and not with any abstract controversy on the respective merits of protection as such, and of the rival policy of free trade.

470. It can be reiterated that interstate freetrade does not confer any benefit upon the primary industries of Western Australia, since the price at which wheatgrowers, pastoralists, and others purchase their machinery, equipment and other requirements from the manufacturers of the Eastern States is equal to, or little less than, the price that would be payable for like articles if the same were imported from overseas (*i.e.*, cost plus heavy customs duties, etc.); and also that in addition to this, the indirect burden of the Commonwealth protection "sticks" on the export industries.

471. Western Australia is geographically isolated from the Eastern States, and if Western Australia had remained out of Federation and had she burdened her primary industries by erecting around the borders of the State a tariff wall as high as that which to-day surrounds Australia, she would at least have had all the compensating advantages of that tariff wall, no matter how ill-conceived and illusory it may have been. Industries similar to the hot-house industries of Melbourne and Sydney—the "great Australian Industries" as they are called in the Eastern States—would then have flourished in Western Australia, and would have provided employment for the urban population of this State. The farmers in the Western Australian wheat belt and the population on the goldfields would then have been able to look to Perth and other centres in Western Australia, instead of to Melbourne and Sydney, for avenues of employment for their sons and daughters; there would have been greater opportunities for the native born of Western Australia, and a more extensive "home" market for the primary industries would have been established. It may be that the system might have crashed sooner or later; but even so, the position then could hardly have been worse than it is at the present time.

472. The provisions of the Constitution, which have forbidden and still forbid Western Australia from adopting such a system of State protection have reacted and are reacting so

as to deprive Western Australia of those benefits which she would gain from a policy of high protection for this State.

473. Whilst therefore Western Australia bears the full burden which accompanies any system of protection, she does not enjoy any of the compensating advantages, which almost invariably accompany such a system—those compensating advantages, which are supposed to outweigh the disadvantages, and which, indeed, afford the only valid reason for the adoption of a policy of protection at all.

474. It is very doubtful whether this extraordinary and intolerable position, in which Western Australia thus finds herself, has any parallel in any other part of the world.

475. Even in its direct results, the ill-effects of the system have not been confined to the industries of Western Australia; they have also played havoc with the Government finances, as demonstrated elsewhere in this case.

Its effect upon the Cost of Essential Services.

476. Before Federation, the material imported by the State Government for its own purposes of developing the colony was, of course, duty free. Under Federation, however, the cost of material imported from overseas by the State Government or by local authorities is liable to be increased by the high duties imposed by the Commonwealth tariff. No advantage would be gained if such material were purchased from the States in Eastern Australia, because, as has already been shown in this chapter, the cost will be much the same, the only difference being that the Eastern States manufacturer, and not the Commonwealth, will receive the benefit of such increased cost.

478. The essential services in the State for which the Government of Western Australia is responsible, include railways, tramways, wharves and jetties, water supply, sewerage and drainage, electric light and power, etc., many of which have been undertaken since Federation. The capital cost of these essential services, as well as of other Governmental services, has been greatly increased by the direct and indirect burden of the Commonwealth protection policy.

479. Details of the manner in which the cost of certain locomotives purchased from Britain in 1924 was increased by the imposition of £32,000 customs duty, have already been furnished in Chapter 5 of this Case.

The cost per mile of rails and fastenings on the Donnybrook-Bridgetown line in 1898 was £730. The cost per mile for similar materials on the Denmark extension built in 1929 was £1,330. Considered as a whole, the increased cost incurred in respect of the provision of essential services through the incidence of the protection tariff is obvious, though not easily measurable. Clearly, however, there must be a very substantial aggregate excess cost included in the £33,000,000 or more, which has been expended by the State government since Federation in respect of the above-mentioned essential services.

480. Similarly, the costs of the local authorities of the State (municipal councils and road boards) have been seriously increased in respect of the construction of roads, etc.—involving a consequential increase in the loan liability of the local authority, and in the annual rates payable by its rate-payers.

481. These excessive costs have been such as to retard the necessary extension of essential services in Western Australia.

482. In much the same manner as the costs of the above-mentioned essential services have been increased by the policy of protection, so also has the State government been required to incur heavy additional capital outlay in respect of many of its land settlement development schemes.

How it Increases the State Public Debt.

483. The condition of Western Australia's finances since it entered Federation, has been such as to preclude the use of revenue to any great extent for the construction of capital works. The cost of the land settlement and development schemes and of the essential services has had to be provided from Loan funds. In the result, the public debt has been unduly increased by these excess costs. It is not possible to ascertain what portion of the public debt of the State is represented by such excess costs, but the amount must be considerable indeed.

484. From the commencement of Federation down to 1927, Western Australia had borrowed, on her own security, over £34,000,000 in London. A substantial amount was also borrowed by the State through the Commonwealth. In the course of its investigations into the result of the combined circumstances of overseas borrowing and a protective tariff, the

British Economic Mission in paragraph 24 of its Report of 1929, made the following general observation:—

“Loan moneys raised overseas can only come to Australia in the form of goods. These goods are subject to the Customs duties provided for under the Commonwealth Tariff on importations into Australia, and are in this way taxed to an extent estimated at from 15 to 20 per cent. of their value. The result is that this proportion of moneys borrowed abroad for capital purposes comes to the Commonwealth as revenue and is spent accordingly. This diversion of capital funds to revenue is obviously bad finance.”

485. (1) “In other words,” said Sir Hal Colebatch, in commenting upon the Report and at the same time explaining that the rate of customs duty was nearer 25 per cent. than the rates quoted above, “of every million pounds sterling borrowed in London by an Australian State, the sum of, say, £750,000 was available to that State for developmental work, the remaining quarter of a million was paid away in Customs taxation and taken into ordinary revenue by the Federal Government.”

Its effect upon the State Treasury.

486. From what has been set forth in earlier paragraphs of this chapter, it is apparent that the increased loan expenditure arising from the increased cost of essential services and developmental work undertaken by the State, involves a consequential increase in the interest payable by the State on its public debt. That increased interest cannot always be passed on in the form of increased charges for the services in question; in fact many services rendered by the State are of a non-reproductive nature, such as Education, Police, and Unemployment Relief. The large annual expenditure on these items is considerably increased by the higher cost of living, due to the effect of the protective tariff on commodity prices. Even where it has been possible for these increased charges to be passed on, they have become an added burden upon the users who, in many cases, are the general public of Western Australia, and not a few particular persons.

487. Other illustrations of the harmful effect upon the State Treasury are afforded by what has already been set forth in Chapter 7 of this Case.

488. The broad general adverse effects of protection upon the finances of Western Australia, the lessening of Western Australian revenue through the concentration of population

(1) *Sunday Times* 19th February 1933.

and industry in New South Wales and Victoria, the curtailment of incomes, and therefore the curtailment of income tax and land tax, the loss of revenue which would have been received from production which has been lost or prevented by protection, are all the subject matter of an authoritative statement which will be found in the extract from the conclusions of the Economic Committee of Inquiry into the Australian Tariff, as furnished in Chapter 15 of this case.

Its Burden upon Western Australia as compared with other States of the Commonwealth—The divergence of Interests.

489. Before concluding this chapter, it may be well to emphasise in respect of the enumerated burdens of Australian protection and interstate free-trade, that those burdens, if not entirely peculiar to Western Australia, certainly evidence themselves in this State to a much greater extent and with much greater severity than in any other State of the Commonwealth. It has been shown that in order to secure the same production as producers in the Eastern States, the Western Australian wheatgrowers and pastoralists, on account of the nature of the lands in Western Australia, must occupy, improve, and equip a much larger area than their more fortunately situated neighbours. Hence costs (and added costs) are greater in Western Australia than in other States. To the extent to which other States or portions of States experience some of the burdens suffered by Western Australia, they do so inevitably because they are part of the same economic unit. Western Australia, however, is not part of that economic unit. There is the greatest divergence between the interests of the Western economic unit and the Eastern economic unit; and the policy of Protection which commends itself to the majority in the Federal Parliament, and to their constituents in the Eastern economic unit, conflicts at every point with the practical interests of Western Australia as the Western economic unit.

490. About 80 per cent. of Western Australia's total production comes from primary industries, a greater proportion than in any other State. Wheat bulks largest, representing more than one-quarter of the total production of Western Australia, a much greater proportion than in any other State. Factory production accounts for only one-fifth of the total production, a lower proportion than in any other State. The primary producers of Western Australia have not the benefit of valuable home markets like Sydney and

Melbourne—a fact which particularly impressed the Disabilities Commission, as it must impress any knowledgeable observer. In 1930-31 the value of overseas exports from Western Australia per head of population, was more than twice that of any other State of the Commonwealth. Western Australia is dependent upon an overseas market for the disposal of more than 90 per cent. of its principal product, wheat—a percentage which far outstrips that of all of the other States. Nor is this great predominance of wheat which occurs exclusively in Western Australia, of a casual or temporary nature. It exists, as has been shown, because the nature of the soil in this State precludes the same diversity of primary production as is enjoyed in other States. In a word, no other State is so dependent upon primary production; and no other State is so dependent upon an overseas market for the disposal of that production. “No other State, therefore,” it is declared in a report prepared by a sub-committee of the ⁽¹⁾Melbourne University Old Commerce Students’ Association in September, 1933, “is so dependent upon the level of export prices”; and it follows, as a natural corollary, that Western Australia needs essential relief from all tariff burdens, which only serve to reduce, and indeed, obliterate, the margin of profit available in respect of those industries upon which the economic structure of Western Australia primarily rests.

491. Another relevant economic consideration is that which arises in respect of the manufacturing industries of the various States. The Commonwealth Tariff Board (in their report of 1924, at p. 28) consider it is true that:—

“Whatever additional cost the policy of protection may add to the price of goods and material imported by the Australian consumer, the citizens of the Eastern States gain, as a compensating advantage, the presence of a large production and manufacture. Such is not the case with Western Australia, which is so placed that at present it has to bear whatever burden may arise under the protectionist tariff without reaping any of the accompanying advantages.”

Although protection has undoubtedly benefited other States of the Commonwealth in the manner already described, it has, on the other hand, actually penalised the secondary industries of Western Australia.

492. So far as the effect of the Federal fiscal policy upon the finances of the respective States is concerned, it has been

(1) The Committee consists of Professor D. B. Copland, and Messrs. J. A. Dillon, J. W. M. Eddy, P. A. K. Ewart, J. F. Murphy, W. L. Potter and C. I. Steele.

shown that the economic disabilities suffered by Western Australia as a result of such policy and the economic benefits which have accrued therefrom to other States are correspondingly reflected in the finances of the respective State Treasuries.

493. Finally, in the matter of international trade and the imposition of embargoes and prohibitive duties upon foreign manufactures, for the benefit of manufacturers in the Eastern States, it will be found that when foreign countries adopt retaliatory measures by the exclusion from their markets of Australian produce, such as wheat, meat, etc. (as has been done by France, Germany, and Belgium), it is Western Australia which particularly suffers from the loss of such export markets for its principal products.

APPENDIX No. 36.

DISABILITIES OF WESTERN AUSTRALIA UNDER FEDERATION
AS APPLIED TO AGRICULTURE.

(By John Thomson, General Manager, Westralian Farmers, Ltd.)

In 1910 average agricultural land could be cleared for £1 per acre, but this cost steadily increased until from 1920 to 1931 the rate of 40s. per acre had to be paid for clearing similar land.

During the period 1920 to 1931 the major settlements in Western Australia took place, the increased acreage cleared being from 7,325,000 acres to 14,407,000 acres. In this period a large acreage of heavily timbered land in the South-West was cleared and is included in these figures, but there was also a considerable acreage of lighter mallee country cleared in the Wheat Belt, and it is considered that land costing in 1910 20s. per acre to clear would be a fair average over the whole period.

It will be seen, therefore, that 7,100,000 acres were cleared from 1920 to 1931, during the most expensive period when average land cost 40s. per acre to clear as compared with 20s. per acre, in earlier years. This is equal to a cost of £7,100,000, and interest on this sum at 6 per cent. per annum is equal to £426,000 per annum. The average wheat farmer had 1,000 acres of land, of which one-third would be in crop annually and with an average of 11 bushels to the acre this interest charge on the added cost of clearing is 3½d. per bushel.

Farm Machinery.

I attach hereto a statement for machinery imported by my Company, and on the sheet marked "XX" will be found, under the letter "A," the retail price of each machine in Canada, showing that the total for one of each of these machines would be £99 4s. 1d. Under the letter "B" is shown the price charged by H. V. McKay at the same time, 1930, for the same machines, and it will be noted that the Australian price is equal to £233 5s., thus the Canadian price is only 42 per cent. of the Australian price.

For the purpose of the following figures, I have assumed that if Australia were a free trade country it would be able to manufacture agricultural machinery as cheaply as Canada, and for that reason a similar reduction could be made in the retail price of all machinery purchased by the wheat farmer. Unfortunately, I have not had time to investigate the truth or otherwise of this assumption and am inclined to think that, on closer investigation, it would require some modification. However, the figures will probably serve as a basis which you may be able to adjust upon inquiry.

Average farm machinery equipment would be as follows:—

	£
Header Harvester	160
Binder	78
Combined Drill and Cultivator	85
Plough	60
Harrows	20
Duckfoot Cultivator	60
Chaffcutter	35
Engine	75
Shearing Plant	50
Separator	6
Wool Press	30
Wagon	147
Rabbit Exterminator	10
Poison Cart	4
Windmill	45
Spring Cart	27
Grader and Pickler	54
Sundries	54
	<hr/>
	£1,000

This equipment would be for a 1,000 acre farm with 300 to 400 acres in crop. Based on the machinery already referred to, £580 of this sum would represent the increased Australian price and interest on this at 6 per cent. would be equal to £34 16s. per annum. Assuming that the average life of the machinery would be 10 years, depreciation would be £58 per annum, a total annual extra cost of £92 16s. 9d. This average would probably apply to about 18,000 agriculturalists, as in fruit growing and dairying, although the items may vary, the net result would probably be very close to that of wheat farming.

Taking £90 per annum multiplied by 18,000 farmers, we arrive at the enormous annual cost of this added machinery of £1,620,000. It will be seen, therefore, that there is room for a very considerable reduction in the figures upon which this calculation is based and the amount paid by farmers annually on account of the Australian Tariff Policy would still be very considerable.

It should be noted that the cost per bushel to the wheat farmer on 4,000 bushels, of this added cost on machinery is equivalent to 5½d. per bushel.

Shipping Freight.

The Australian Tariff has led to what is generally known as one way traffic in overseas freights, thus the exports very greatly exceed the imports.

Western Australian total exports overseas for the year ended 30th June, 1932, were approximately 1,221,000 tons as against imports from overseas of 376,000 tons. This shows a balance of 845,000 tons of space which would have to be brought out in ballast or unfilled. The cost of bringing a vessel with ballast from European ports would be roughly 6s. 8d. per ton via the Cape, thus escaping Suez Canal dues.

It will be seen, therefore, that the cost of bringing vessels out in ballast or only partly loaded to take our exports away would be roughly £281,600 per annum. On the other hand we import from the Eastern States 213,000 tons with an export of 24,000 tons, so that vessels go from here to the Eastern States almost empty, and assuming the cost at 5s. per ton, which is considered low, the total to be paid by West Australian people is £47,250.

Therefore, the total loss of Western Australia, due to the one way traffic resulting from the Commonwealth policy is about £329,000 per annum. The cost to the wheatgrower per bushel to bring out freight to return his wheat is about 2 1/3rd pence per bushel.

Agricultural activity in Western Australia provides employment for 33,000 people. It has been calculated that the Australian tariff increased the cost of an Australian family by £23 5s. per annum, as compared with free trade Great Britain. Assuming, therefore, that 20,000 of the aforementioned people employed in agriculture were supporters of families, the total annual cost borne by agriculture under this head would be £465,000.

Assuming that on the average 11½ families are supported on a wheat farm, the added cost under this item would be 2d. per bushel on the wheat produced annually.

Summarising the additional costs borne by Western Australian agriculture due to the policy of protection adopted by the Commonwealth of Australia—

Main Items.	Annual Cost to Western Australia. £	Per Bushel Cost to W.A. Wheat-grower. s. d.
Land Clearing	426,000	3½
Farm Machinery	1,620,000	0 5½
Shipping Freight	329,000	0 2½
Cost of Living	465,000	0 2
Total of four major items ...	£2,840,000	1 1½

Other costs are incurred by Agriculture, such as wire for fencing, etc., as well as for services such as railage, carting, wheat handling, etc.

JOHN THOMSON.

XX. STATEMENT OF MACHINERY IMPORTS.

Landed cost of binders and mowers, ex s.s. "Temple Moat" from Frost and Wood, Canada—Date 18th August, 1930, and comparison with Australian manufacturers' prices:—

Particulars of Machinery Imported.	Selling Price (A).	Landed Cost Price (including duty, etc.) (£A).	Selling Price (B) of similar machines made in Australia.	Excess of Australian over imported Prices.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
5 No. 5 Binders, 6ft. cut... (172)	35 8 8	61 4 3	78 0 0	...
8 No. 5 Binders, 7ft. cut ... (190)	39 2 11	67 12 6	95 0 0	...
13 Drop Sheaf Carriers ... (7·50)	1 10 11	2 13 8	...	...
12 No. 8 Mowers, 4ft. 6in.... (58·50)	12 1 1	20 6 11	33 0 0	...
15 No. 9 Mowers, 3ft. 6in.... (53·50)	11 0 6	18 12 2	27 5 0	...
	£99 4 1	£170 9 6	£233 5 0	£62 15 6

Handling Charges, etc., on Imported Machinery.

CHARGES—	Total.			Binders.			Mowers.		
	£	s.	d.	£	s.	d.	£	s.	d.
Duty ...	412	13	2	256	12	7	156	0	7
Freight ...	71	12	3	47	14	10	23	17	5
Wharfage ...	19	11	6	13	1	0	6	10	6
Cartage ...	6	13	9	4	9	6	2	4	3
Insurance ...	7	11	4	4	14	2	2	17	2
Exchange + 5 %	65	5	6	43	10	0	21	15	6
Agency ...	2	2	0	1	9	6	0	12	6
Entry ...									
Commission ...	...	...	...	...	...	...	...	...	...
Cases, etc. ...	...	...	...	...	...	...	...	...	...
Bill of Lading ...	...	...	...	...	...	...	...	...	...
Sundry ...	...	...	...	...	...	...	...	...	...
£585 9 6				£371 11 7			£213 17 11		

WESTERN AUSTRALIA.

Season ended last day of February—	Acreage Cropped, Cleared, etc.						
	Under Crop.	Artificially sown grasses.	New Ground prepared for next season.	Land in Fallow.	Previously cropped, now used for grazing, etc.	Ring-barked or partially cleared.	Total Acreage.
	acres.	acres.	acres.	acres.	acres.	acres.	acres.
1910 ...	722,085	9,017	223,487	284,267	332,142	3,114,608	4,685,606
1911 ...	855,024	8,348	252,537	299,144	454,664	3,440,115	5,309,832
1912 ...	1,072,653	5,760	293,663	367,337	521,916	3,380,300	5,650,629
1913 ...	1,199,991	5,168	386,647	639,582	632,999	3,850,198	6,714,585
1914 ...	1,537,923	6,919	430,775	754,844	800,981	3,789,091	7,320,533
1915 ...	1,867,547	8,025	391,402	832,922	914,445	3,534,427	7,548,768
1916 ...	2,189,456	9,119	293,625	686,421	1,058,171	3,819,582	8,056,374
1917 ...	2,004,944	8,327	362,795	743,093	1,388,514	3,514,876	8,022,549
1918 ...	1,679,772	11,769	115,862	662,534	1,706,230	3,411,653	7,587,820
1919 ...	1,605,088	14,158	118,409	726,630	1,902,094	3,216,337	7,582,716
1920 ...	1,628,163	16,672	156,135	676,271	1,925,424	2,922,854	7,323,519
1921 ...	1,804,986	17,265	211,685	762,249	1,885,475	2,901,612	7,583,272
1922 ...	1,901,680	18,441	298,699	894,780	1,923,021	2,667,612	7,704,242
1923 ...	2,274,998	25,377	382,994	977,522	2,125,459	2,518,882	8,305,232
1924 ...	2,323,070	38,022	408,156	1,232,030	2,234,820	2,660,106	8,896,204
1925 ...	2,710,856	60,257	410,599	1,353,522	2,215,500	2,349,199	9,090,933
1926 ...	2,932,110	89,170	460,021	1,594,581	2,417,072	2,264,235	9,757,189
1927 ...	3,324,523	128,751	527,474	1,677,372	2,592,887	2,223,165	10,474,172
1928 ...	3,720,100	169,105	666,602	1,849,533	2,884,919	2,196,544	11,486,803
1929 ...	4,259,269	243,560	800,300	2,284,040	3,159,834	2,180,790	12,927,793
1930 ...	4,566,001	323,925	774,654	2,597,846	3,544,650	1,996,234	13,803,310
1931 ...	4,792,017	339,371	481,490	2,821,639	4,101,414	1,871,825	14,407,756
1932 ...	3,961,459	370,935	214,665	2,567,720	5,317,899	1,780,091	14,212,769
1933 ...	4,259,000	427,847	150,511	2,707,197	4,863,540	1,785,952	14,194,047

a Liable to slight revision.

APPENDIX No. 37.

REPRESENTATIVE GROUP OF REAPER AND BINDER, MOWER, HAY RAKE, AND KNIFE GRINDER REPAIRS

USING 1914 RATE OF DUTY										USING (JULY) 1933 RATE OF DUTY AND PRIMEAGE.									
Tariff Classification.	Dollars.	Rate of Ex- change.	Invoice Value.	Statutory 10 per cent.	Value for Duty.	Rate of Duty.	Amount of Duty.	Dollars.	Rate of Ex- change.	Invoice Value.	Statutory 10 per cent.	Value for Duty.	Rate of Duty.	Amount of Duty and Primeage.					
Metal parts of Reapers and Binders	2,366-74	4-86	486 10 8	48 14 0	535 13 8	5	26 15 8	2,366-74	4-00	591 13 9	59 3 5	650 17 2	45	292 17 9					
Metal parts of Hay Rakes ...	95-64	4-86	19 13 7	1 19 4	21 12 11	10	2 3 4	95-64	4-00	23 18 2	2 7 10	26 6 0	45	11 16 8					
Metal parts of Mowers	74-00	4-86	15 4 6	1 10 5	16 14 11	5	0 16 9	74-00	4-00	18 10 0	1 17 0	20 7 0	45	9 3 2					
Poles for Agricultural Machines	24-75	4-86	5 1 10	0 10 2	5 12 0	30	1 13 7	24-75	4-00	6 3 9	0 12 5	6 16 2	55	2 7 8					
Knife Sections	130-47	4-86	26 16 11	2 13 8	29 10 7	5	1 9 5	130-47	4-00	32 12 4	3 5 3	35 17 7	10	3 11 9					
Ledger Plates	27-50	4-86	5 13 2	0 11 4	6 4 6	5	0 6 3	27-50	4-00	6 17 0	0 13 9	7 11 3	16	0 15 2					
Finery Stones	10-31	4-86	2 2 5	0 4 3	2 6 8	5	0 2 4	10-31	4-00	2 11 7	0 3 2	2 16 9	15	0 8 0					
Woodenware	503-97	4-86	103 13 11	10 7 5	114 1 4	35	39 18 6	503-97	4-00	125 19 10	12 12 0	138 11 10	70	97 0 5					
Textile articles	1,526-39	4-86	314 1 5	31 8 2	345 9 7	30	103 12 10	1,526-39	4-00	381 11 11	38 3 2	419 11 1	50	209 17 6					
Manufactures of Metals ...	12-24	4-86	2 10 5	0 5 1	2 15 6	35	0 19 5	12-24	4-00	3 1 3	0 6 1	3 7 4	65	2 3 9					
Roller Bearings	99-69	4-86	20 10 3	2 1 0	22 11 3	10	2 5 2	99-69	4-00	24 18 5	2 9 10	27 8 3	15	4 2 3					
Bolts	45-98	4-86	9 9 3	0 18 11	10 8 2	30	3 2 5	45-98	4-00	11 9 11	1 3 0	12 12 11	65	8 4 5					
Primeage ... ..	...	...	...	...	...	Free	...	...	...	549 12 11	54 19 3	604 12 2	10	60 9 3
Casing	121-21	4-86	24 18 10	2 9 11	27 8 9	Free	...	121-21	4-00	30 6 1	3 0 7	33 6 8	30	10 0 0					
Primeage on Casing ...	...	...	...	...	...	Free	...	...	...	...	...	...	10	3 6 5
	\$5,038-89	Total	Duty and Primeage	...	...	...	£183 5 9	\$5,038-89	Total Duty and Primeage	...	...	...	...	£716 4 1

APPENDIX No. 38.

COMPARATIVE PRICES OF MACHINERY BEFORE AND AFTER FEDERATION.

	Year 1901.			Year 1925.			Year 1927.			Year 1931.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Plough, 4-furrow Stump-Jump Mould Board ...	25	0	0	62	0	0	53	0	0	41	14	0
Plough, 6-furrow Stump-Jump Mould Board ...	29	0	0	78	10	0	61	0	0	60	9	0
Shares, per dozen ...	1	4	0	3	0	0	2	1	0	1	12	0
Seed Drill, 16 disc ...	40	0	0	77	0	0	75	0	0	67	15	0
Spring-tyne Cultivator (17 tynes) ...	16	10	0	21	0	0	23	10	0	24	6	0
Set Harrows, per section ...	1	0	0	2	0	0	1	11	6	1	8	9
Bar ...	1	5	0	2	12	6	1	0	0	0	19	6
Harvester, 6ft. (largest size made) ...	90	0	0	147	0	0	135	0	0	118	4	0
Reaper and Binder, 6ft., ranging from ...	36	0	0	88	0	0	76	0	0	76	11	0
Chaff Cutter, 3-knife, 9½ in. mouth ...	15	0	0	27	0	0	30	0	0	25	7	0
Wagon (5 tons) ...	60	0	0	120	0	0	77	0	0	84	0	0
Spring Cart ...	17	10	0	35	0	0	35	0	0	27	0	0
Do. (15 cwt.) ...	...	...	...	...	...	...	...	...	...	35	0	0
Seed Grader ...	15	0	0	35	0	0	34	0	0	...	...	...
Harness—Collars ...	0	18	0	1	10	0	1	12	6	1	7	0
Hames ...	...	...	...	...	...	...	0	9	0	0	10	0
Winkers ...	0	5	6	0	10	6	0	12	6	0	8	0
Wire Netting, 36 x 4 x 16 (per mtle) ...	12	0	0	23	0	0	23	0	0	20	0	0
Wire Netting, Rabbit-proof, Quality "A," 42 x 1½ x 17 (per mile) ...	30	0	0	52	10	0	52	10	0	43	10	0
Wire Netting, Rabbit-proof, Quality "A," 42 x 1½ x 17 (per mile) ...	25	0	0	44	0	0	45	0	0	37	10	0
Barbed Wire ...	14	10	0	29	10	0	27	10	0	26	0	0
Galvanised Cor. Iron (per ton) ...	20	5	0	30	5	0	27	10	0	26	5	0

	Year 1916.			Year 1924.			Year 1933.		
	£	s.	d.	£	s.	d.	£	s.	d.
Shearing Machines (overhead type) (per stand) ...	12	12	0	22	7	0	22	8	8

APPENDIX No. 39.

Wheat.

COST OF PRODUCTION.

Average figures covering 12 typical farms as supplied by the Hon. T. H. Bath to the Royal Commission on the Disabilities of the Agricultural Industry of Western Australia.

Horse Traction (No Sheep).

Average acreage....	1,002 acres
Estimated cropped for market	280 „
Average yield	4,106 bushels
30 acres used for growing 40 tons hay for 8 horses.	
20 acres used for growing seed wheat.	
Total area cropped	330 acres

	£	s.	d.
Superphosphate	102	14	0
Wages (excluding own remuneration)	184	18	0
Machinery parts and repairs	52	2	0
Oil, bluestone, and sundries	31	6	0
Cornsacks and twine	76	10	0
Rates and taxes	32	8	0
Interest on borrowed money	115	14	0
Insurance	30	14	0
	£626	6	0

Notes :

(1) These costs do not include—

- (a) Farmer's own remuneration.
- (b) Oats for horses.
- (c) Depreciation.

(2) The above cost is equivalent to 44s. 9d. per acre of acres marketed = 3s. per bushel, or 38s. per acre cropped.

(3) Adding 4s. per acre of acreage marketed to cover depreciation, and assuming that for a relatively small area cropped the wages (£184 18s.), would provide the farmer with sustenance and casual wages, the costs work out at 49s. and 41s. 5d. per acre respectively, or 3s. 3d. per bushel marketed.

Memo.—The interest rates on mortgages have since been reduced. The rate now chargeable by the Agricultural Bank is 5 per cent. As a general rule the rate chargeable by the Associated Banks is 5½ per cent.

APPENDIX No. 40.

Wheat.

COST OF PRODUCTION—HORSE TRACTION.

Royal Commission Estimate.

Cropping 500 acres—	60 acres cut for Feed
	42 acres Seed and Grist.
	<hr/>
	102 acres withheld from market.
	<hr/>

Basis 12 Bushels Average—No Sheep.

	£
Superphosphate at £4 10s. per ton (84 lbs. to acre)	90
Sustenance	120
Wages (including Sustenance)	115
Spare Parts	50
Insurance	30
Sacks at 8s. 6d., including Freight for 440 acres (including new sacks for seed, old seed sack used for oats) = 150 dozen	64
Cartage, 9d. per ton mile (Average 10 mile —1,600 bags)	50
Pickling and Grading, 4d. per acre	9
Oil, Grease, etc.	15
Depreciation	135
Interest on Mortgage at 6 per cent.	93
Rates and Taxes	48
	<hr/>
	£819

= 41s. 2d. per acre of marketable area = 3s. 5d. per bushel on 12-bushel average ;

or 32s. 9d. per acre of cropped area = 2s. 9d. per bushel on 12-bushel average.

Note.—The above assumes the farmer has sufficient seed and feed to put in and take off the crop.

Memo.—The interest rates on mortgages have since been reduced. The rate now chargeable by the Agricultural Bank is 5 per cent. As a general rule the rate chargeable by the Associated Banks is 5½ per cent.

APPENDIX No. 41.

Wheat.

COST OF PRODUCTION—POWER TRACTION.

Royal Commission Estimate.

Cropping 500 acres—	42 acres for Seed and Feed.
	458 acres for Market.
	<hr/>
	500 acres.
	<hr/>

Basis 12 Bushels Average—No Sheep.

	£
Fuel and Oil (at 1s. 8d. and 6s. 9d. per gallon)—	
Ploughing, 1 Cultivator, and Seeding	135
Harvesting	35
Carting 10 miles	22
Superphosphate, including Freight (84 lbs. to acre)	90
Sacks, 8s. 6d. per dozen, including freight (167 dozen)	71
Insurance	30
Sustenance	120
Wages (including Sustenance)	115
Parts	75
Pickling and Grading	9
Depreciation	175
Interest on Mortgage at 6 per cent.	93
Rates, Taxes, and Licenses	48
Oil, Grease, etc.	15
	<hr/>
	£1,033
	<hr/>

= 45s. 1d. per acre of marketable area = 3s. 9d. per bushel at 12-bushel average ;

or 41s. 4d. per acre of cropped area = 3s. 5·3d. per bushel at 12-bushel average.

Note.—The above figures assume that the farmer has sufficient seed to put in the crop.

Memo.—The interest rates on mortgages have since been reduced. The rate now chargeable by the Agricultural Bank is 5 per cent. As a general rule the rate chargeable by the Associated Banks is 5½ per cent.

APPENDIX No. 42.

A NOTE ON THE DISABILITIES OF THE PASTORAL INDUSTRY IN
WESTERN AUSTRALIA DUE TO FEDERATION.

The following remarks are extracted from a statement recently prepared by Mr. W. L. Sanderson, Secretary of the Pastoralists' Association of Western Australia, for the State Committee appointed to prepare evidence for submission to the State Grants Commission:—

“In the older established States, much of the development work in the primary industries was completed prior to the imposition of high tariffs. Western Australia, on the other hand, only really commenced to develop her pastoral and agricultural lands during a period of rising protective duties, amounting in many cases to prohibition of imports.

“We refer to the Statistical Register for the year 1931-32 Part X, page 64, Table 36, wherein is recorded the huge increase in the number of sheep depastured in this State, between 1924 and the present year.

Year.	No. of Sheep.
1924	6,396,564
1925	6,861,795
1926	7,458,766
1927	8,447,480
1928	8,943,002
1929	9,556,823
1930	9,882,761
1931	10,098,104
1932	10,417,031 (obtained from State Statistician)
1933	10,500,000 (Estimated)

“Reference to these figures will disclose that the heavy increases took place during the peak period of the tariff.

“Were the advances made by Banks and Financial Houses available, they would probably disclose that heavy borrowings for development purposes were incurred during the same period.

“In giving consideration to this matter it must also be remembered that the carrying capacity of the agricultural and pastoral lands of this State is much lighter than that of our more fortunately situated neighbours. It is estimated that one sheep to 25 acres is the average carrying capacity of the pastoral area in Western Australia. In the agricultural areas it is hard to arrive at any exact figure. The farming lands generally are of light soils. It is in a comparatively small area in the Midlands that any heavy growth of pastures can be obtained and this only with the liberal application of top dressing with artificial manures.

“The additional improvements necessary, therefore, to develop country in this State as compared with the heavier carrying country of the East-

ern States can best be exemplified by taking the amount of fencing, water improvements, etc., necessary to carry 3,200 sheep on pastoral country in this State as compared with that of, say New South Wales and Victoria.

- “1. A paddock, 3.17 miles square requiring a total surround of 12.68 miles of fencing would enclose an area of 6,400 acres, and would carry 3,200 sheep on two acres to one sheep country. One central water supply would be sufficient for such an area. There is very little of such pastoral country in Western Australia.
- “2. A paddock 11.18 miles square, requiring a total surround of $44\frac{1}{4}$ miles of fencing would enclose an area of 80,000 acres, and would carry 3,200 sheep, of 25 acres to one sheep country—the average of the pastoral areas of this State. Such an area would necessitate two sub-divisional sheep fences, totalling approximately an additional 22 1-3 miles and the provision of at least five to six water supplies.

“The light carrying nature of our pastoral areas necessitates big holdings, and big holdings mean long distances for transport both for developmental materials, stores and produce. Such costs are in addition to tariff imposts.

“As there are still big areas of vacant country suitable for pastoral pursuits in this State, it is reasonable to say that had the tariff been less severe during the period of high wool prices, much more of our country would have been developed, with a corresponding increase in our production of wool.

“The tariff acts as an impost on the primary producers of this State, without any offsetting advantage. The secondary industries established in Victoria and New South Wales under protection, and which employ such numbers of people, at least provide a local market for much of the primary produce of those States, whereas we have to rely mainly on export. In other words, the producers of Western Australia help by tariff taxation to maintain, in the Eastern States, markets in which they are not able to participate. It is admitted that this geographical isolation from home markets and the light carry capacity of our State lands are the cause of many of our disabilities, but what has been said goes to prove that the fiscal policy of Australia is inimical to the development and welfare of Western Australia.”

The demands of the Metropolitan Sheep Market are more than catered for by the growers in the South-West and in the Murchison, and the disposal of their surplus sheep has become a real problem for the pastoralists engaged in wool-growing in the North-West. Java and Singapore, which are only a few days sail from the North-West ports of the State, would ordinarily provide a natural outlet for the disposal of a large quantity of these surplus sheep, and cattle too. The sugar embargo, however, has seriously affected the position. Quite apart from the aspect of retaliation, i.e., the disinclination of Java to purchase Western Australia's products since Western Australia cannot purchase the natural product of Java—the pastoralists' costs are adversely affected even though the market be not closed against them by an action on the part of Java. As a result of the shortage of cargo on steamers trading between this

State and the Near East, the freight which must normally be charged in respect of sheep does not permit of the profitable expansion of such trade with Java and Singapore.

In like manner, and through no fault of the Shipping Companies, the pastoralists are penalised in respect of the freights payable by them along the Western Australian coast. Giving evidence before the Sugar Enquiry Committee in September, 1930, Mr. Sanderson declared that "if full cargoes were obtained on steamers trading between Fremantle and Singapore, the present high freights charged on wool, livestock, provisions and developmental materials could be reduced and the pastoral industry would benefit." It is reasonable to suppose that were we permitted to obtain our sugar from this country, the resulting increased cargoes available—sugar, cattle, sheep, jams, canned fruits, and flour—would influence a lower rate of freight, not only to the Near East but also to intermediate ports on the North-West coast of this State. "Before the coming into force of the embargo," declared Mr. Sanderson, "we were opening up quite a good trade in cattle with Java, but since we have ceased to take their sugar, our trade in this connection has seriously fallen off." The trade of which Mr. Sanderson then despaired, has since entirely disappeared.

Concerning retaliatory action by other countries, another example of the grave possibilities in this direction is afforded by the action of Belgium in consequence of the recently imposed Glass Embargo. Although it had enjoyed protection by tariff rates ranging up to an equivalent of 175 per cent. *ad valorem*, the Australian Window Glass Proprietary, Ltd., of Sydney, declared before the Tariff Board that no duty would be effective that did not give their factory a monopoly of the supply of glass for the Australian market. The company prevailed upon the Federal Government to prohibit the importation of glass, of which commodity Belgium was one of the principal suppliers. The embargo was not limited to Belgium glass; it operated against the importation of all glass, including that which is manufactured in Lancashire. The people of Western Australia are not at all interested in the glass industry at Sydney, except, of course, in their objection to the exorbitant cost of such an essential material; but since Belgium purchases practically the whole of the output of the Wyndham Meat Works, the people of Western Australia, particularly the East Kimberley cattle producers, are vitally affected when Belgium, by way of reply to the Glass Embargo, announced its intention to cease the purchase of Australian meat which had hitherto been made by the Belgium War Office. Belgium is the chief customer of the Wyndham Meat Works (in respect of which the Government of Western Australia has expended some £1,250,000; and has during the past eight years sustained an aggregate working loss of over £550,000 plus interest), and the Premier has announced that the Works would not be able to carry on without such trade. Apart from the direct result of about 350 men being thrown out of work, the declining industry of cattle-raising would receive a further set-back with an adverse effect upon the State generally. The High Commissioner for Australia in London, has been negotiating with the Belgium Government regarding trade between the two countries, but the outlook for Western Australia has not improved as is fully evidenced by the following extract from a letter by the Consul-General for Belgium in Australia, to the Consul for Belgium in Western Australia and published in the "West Australian" of 24th January, 1934:—

"You have read in the Press of Western Australia that the Belgian Government has concluded with the Commonwealth Government an arrangement dated 'London, December 15,' by which the two countries undertake not to apply any discriminatory measure during a period of six months, in which they shall negotiate for a reciprocal commercial treaty. But the Belgian Government has kept out of that arrangement the embargo against Australian meat except in direct proportion to the value of window glass which might be admitted to Australia as from December 15 last. The prohibition against the importation of glass being maintained by the Commonwealth Government, Australian meat is debarred from entry into Belgium.

"I would be much obliged if you would inquire urgently, both in Government circles and among the parties concerned, whether this position is fully understood and whether those interested are prepared to allow their interests to be sacrificed by the Commonwealth Government for those of the monopoly of the Australian Window Glass Company, of New South Wales. It would be your duty, if necessary, to make them fully understand that, in spite of the negotiations now proceeding and the somewhat involved declaration of the Federal Ministers, Australian meat (mostly secured from your State in the past) of an annual value of £400,000 will not be admitted into Belgium, except in value proportionate to the value of Belgian window glass that may be allowed into the Commonwealth during any year"

Even if the Belgian Government subsequently decides to lift the ban upon the importation of Western Australian meat, the point to be borne in mind is that the important industries of Western Australia should be able to carry on without these distressing crises which have become all too frequent.

APPENDIX No. 43.

COMPARISON OF CUSTOMS DUTIES ON CERTAIN MINING REQUISITES BEFORE AND AFTER FEDERATION.

	W.A. State Tariff immedi- ately prior to Federation, 1900.	Federal, British Preferential Tariff, 1911.	Federal, British Preferential Tariff, 1934.
Battery, Shoes and Dies ...	10 %	20 %	35 %
Steel Balls for Ball Mills ...	10 %	20 %	(a) 45%
Fuse (per Coil of 24ft.) ...	Free	$\frac{1}{2}$ d.	(a) 1d.
Flint Stones ...	Free	Free	(d) Free
Litharge ...	Free	Free	(c) 3/- cwt. or 20 %
Mining Steel (Bar) ...	Free	Free	(a) 70/- per ton
Mining Machinery—	5 %	20 %	
Rock-boring Machines (Covers Diamond Drills) ...	...	...	27½ %
Stone-crushing Machines (covers Ball Mills, batteries, etc.) ...	...	...	35 %
Mining Machinery, N.E.I. (covers Winding Engines of high power) ...	...	...	40 %
Machinery, N.E.I. (covers Com- pressors, Pumps, etc.) ...	...	...	45 %
Motive Power Machinery, N.E.I. Electric Switches, etc. ...	...	...	45 %
Crude Oil Engines :			
Under 100 B.H.P. ...	...	...	45 %
Over 100 B.H.P. ...	...	...	Free
Iron and Steel Pipes and Fittings—	Free	Free	
Not exceeding 3in. internal diam. Exceeding 3in. internal diam. ...	...	...	Free 27½ %
Pipe Fittings :			
Galvanised ...	...	...	(a) 5d. lb.
Other ...	...	...	(a) 4d. lb.
			or 35% whichever is higher.
Steel Wire Winding Ropes—	Free	Free	30 %
Zinc Shavings ...	Free	Free	(b) Free

(a) Plus Primage 5 %, (b) Plus Primage 10 %, (c) Plus Primage 5 % and
Sales Tax 5 %. (d) Plus Primage 10 % and Sales Tax 5 %.

NOTE.—The General Tariff Rates of 1934 are in most instances 20 % higher than the British Preferential Rates. *e.g.*, Battery Shoes and Dies :—British preference 35 % ; General 55 %. The British Preferential Rates of 1934 in respect of all the above items are subject to the exchange adjustment, *i.e.*, a reduction equivalent to not more than one-half of the adverse exchange rate.

APPENDIX No. 44.

COMPARATIVE STATEMENT OF THE COST OF CERTAIN MINE
SUPPLIES F.O.R. FREMANTLE (AS PREPARED BY THE
SECRETARY OF THE CHAMBER OF MINES).

	1911.			1929.		
	£	s.	d.	£	s.	d.
Forged Chrome Steel Battery Shoes and Dies, per ton	15	10	0	37	11	9
Fuse, per coil of 24 ft.	0	0	6½	0	0	8
Flint Stones, per ton	6	10	0	6	17	9
Litharge, per ton	38	0	0	45	0	0
Mining Steel, per ton	27	15	0	52	0	0
Mining Machinery	{ Varies according to requirements					
Iron and Steel Pipes and Fittings—						
Iron and Steel Pipes	{ Varies according to requirements					
Fittings	{ requirements					
Steel Wire Winding Ropes, per ton	60	0	0	85	5	0
Zinc Shavings, per ton	36	5	0	59	10	0

APPENDIX No. 45.

Copy.

THE WILUNA GOLD MINES LIMITED.

H. E. Vail, Consulting Engineer.

Telephones B7352, F1823.

The Consulting Engineer's Perth Office,

79-80 A.M.P. Chambers,

William Street, Perth, W.A.

20th October, 1931.

T. S. Ferguson, Esq.,

Secretary, Australian Association of British Manufacturers,
Melbourne.

Dear Sir,

I have been afforded an opportunity of learning through the President of your Sydney Branch (Mr. A. E. Plant) that you are undertaking the very important question of import duty on crude oil engines. I desire to support you in every way possible on behalf of the gold-mining interests with which I am associated, in the hope that you may be able to convince the Tariff Board that the imposition of heavy duty on crude oil engines and other high-class machinery (which is not, and cannot be, satisfactorily manufactured in Australia) is a mistake and should be removed.

I am the Consulting Engineer for the Wiluna Gold Mines Limited and Lake View and Star Limited. These two Companies are supported by the strongest mining financial houses in London, and we undertook to demonstrate that low grade ore, which was unpayable under existing conditions, would become profitable under modern methods and the introduction of modern machinery. We anticipated that the Federal Government would appreciate that our efforts, if successful, would be of enormous value to the Commonwealth, and confidently expected they would permit our modern high-class machinery to be imported free of duty, particularly as we purchased locally every item or unit of plant which it is possible to procure from Australian manufacturers.

Some items we were successful in importing, but on many units duty was imposed and we were obliged to pay over £100,000 import duty. Our applications were refused on many items through Australian manufacturers reporting that they could supply similar or identical machinery, but on investigation we found that similar plant was not at all suitable to our purpose, and that they could only supply identical units by permits from those holding patent rights; in many cases they had never manufactured any of the requisite units before, and in some instances they themselves would be obliged to instal machinery to produce certain parts of the manufacturing. This merely serves as another emphasis of the necessity for a drastic revision of the tariff regulations.

There are few users of high-class machinery who will risk their construction by manufacturers who are entirely without any practical experience in the actual manufacturing of the article required. This is particularly

important in precision machines, where absolute perfection of the unit is imperative to the success of the operation, and an important undertaking may be hopelessly marred through the faulty construction of even one unit of plant.

Since the installation of high-class machinery on The Wiluna and Lake View and Star Mines, duty has been imposed on some items of machinery which were permitted to land duty free to us. This is altogether wrong, and would tend to convince probable investors that the Commonwealth Government is opposed to the expansion of an industry which will rapidly expand if encouraged. My own principals will extend their activities when their present ventures are soundly established. We have already proved that costs can be reduced so that low grade ores can be treated profitably, but in such undertakings very high-class and expensive machinery is essential and every inducement should be afforded investors by the Government.

A very important factor in the success of these undertakings is the generation of cheap power, as a large amount of power is required to drive our plants. After careful study we decided that crude oil engines would compare favourably with other means of providing power in the outlying districts where coal and wood fuel are scarce and where carriage or freight is costly. We installed these engines, and almost immediately a proposal was made to impose an import duty on crude oil, and the duty on engines is increased—only the very large units are now free from duty—and there are none of the large internal combustion engines manufactured in Australia.

This practically defeats our intention of expanding our operations, and to a great extent destroys the confidence of overseas investors in our country as well as the incentive for others to follow our endeavours to revive the industry by modern methods. What we most need to restore confidence in Australia and stabilise her credit is cordial co-operation of the Government and primary discussion and removal of the excessive duty on all importations that cannot be as economically manufactured in Australia. It is a recognised fact that Australia is dependent on its primary products and can only attain prosperity through such. It, therefore, appears to me to be a very foolish policy to restrict primary production and the welfare of Australia through fostering the comparatively few secondary industries in the Commonwealth.

I have no doubt all these arguments are of little value in your discussions with the Tariff Board, but I have endeavoured to briefly outline how the widely extended and increased tariff burdens are adversely affecting the gold-mining industry. If there is any further information I can give you, or any manner in which I can be of any assistance to your cause, I shall be very pleased to co-operate to the best of my ability.

Yours faithfully,

(Signed) H. E. VAIL,

Consulting Engineer.

APPENDIX No. 46.

A NOTE ON THE MANUFACTURING INDUSTRIES.

The following is a copy of a letter received by the Secession Committee from Messrs. Swan Brand Products, Jam Manufacturers, etc., of Perth:—

PRODUCTION OF JAM FROM WEST AUSTRALIAN FRUIT—
EASTERN STATES DUMPING.

The Secretary,
Secession Committee, Perth.

Perth, 2nd January, 1934.

Dear Sir,

The disabilities under which the West Australian manufacturer laboured in the past in his endeavour to purchase fruit from the local grower, and in turn to manufacture same into jam for the consumption of our own people, appear to have increased in importance to such an extent that their direct bearing on this industry will compel the local manufacturer to retire from the field of operation.

Our firm is the largest local manufacturer of jam, but we have not been able to dispose of more than £1,000 worth of jam during the past 12 months.

In order to place the matter clearly before your Committee we have set out our own experience, what we have endeavoured to do, and the inevitable result of attempting to compete with the dumping from the Eastern States.

Last year we purchased from the grower the following quantities of fruits:—Strawberry, 2 tons; fig, 150 tons; peach, 10 tons; apricot, 10 tons; plum, 60 tons, which were converted into pulp for the purpose of jam-making, but when an attempt was made to find a market we found that our own cost of production, without any overhead or profit to ourselves, was higher than the retail price of jam of equal weight which was imported from the Eastern States.

As you are doubtless aware, the price of fruit paid to the grower is regulated by the Fruit Industry Sugar Concession Committee; it is obligatory for the manufacturer to pay the price as fixed by that committee in order to secure a claim for a domestic sugar rebate.

The above conditions, both in the purchase of fruit and sugar rebate, are in the same manner applicable to the Eastern States; therefore, the question of obtaining cheaper fruit or sugar must be disregarded. Nevertheless, the price at which jam is from time to time landed in this State is simply incredible, particularly if you examine the following facts:—

Last month (December, 1933) 1½lb. tins of Eastern States jam were offered for sale in Perth shops at 5½d. per tin (5s. 6d. per dozen), and this price, of necessity, includes the following:—Cost of fruit, cost of sugar, tins, labels, labour, factory costs, manufacturer's profit, packing, freight, cartage, agent's commission, and grocer's profit.

In Melbourne, where that jam is manufactured, the retail selling price as fixed by the manufacturers is 10d. for apricot and 8½d. for other lines, such as plum, etc.

As a fair comparison we are setting out hereunder the actual cost to us of a single boil of jam (100 lbs.), which is equivalent to 11 dozen 1½lb. tins:—Sugar, £1 5s.; tins, 16s.; labels, 2s. 9d.; fruit, 14s.; total £2 17s. 9d.,

which works out at 5s. 3d. per dozen, without labour, freight, commission, overhead, or profit to ourselves. You can see how hopeless it is for progress in this industry.

Whilst the price of jams, such as black currant, etc., are higher than apricot, plum, and peach jams, there is no difference whatever between the cost of any of the jams mentioned in the last-mentioned group. Those jams—apricot, plum, and peach—are offered for sale by us in assorted cases at the wholesale price of 7s. 6d. per dozen; they are the jams most largely used in Western Australia, and it is these particular products in respect of which the foregoing illustrations have been furnished, and in respect of which we are subjected to such unfair competition from the Eastern States manufacturers.

Most of the fruit we have purchased is still in stock, and it will be impossible for us to take any fruit from the grower during the present season.

Already fruit is being knocked down at 1s. and 1s. 6d. per case, and we shudder to think what will happen when the trees are in full bearing.

There has recently been an increase in the local selling price of Eastern States jam; but we are convinced of the futility of attempting to compete with the Eastern States manufacturers, because if we succeed in securing a footing their prices would be reduced until we had been squeezed out again. Therefore, notwithstanding our large stocks of pulp, we have decided that no good purpose could be served by converting same into jam since it would be impossible for us to find a market therefor.

We have endeavoured to place our position fairly and clearly before you, and should your Committee require any further information we shall be pleased to attend to its requirements; and, if necessary, to verify the foregoing by a statutory declaration.

Yours faithfully,

Swan Brand Products,

(Sgd.) J. T. TANDY,
Proprietor.

GENERAL.

In forwarding to the Secretary of the Western Australia Disabilities Committee a letter under date of the 16th December, 1933, containing the substance of the foregoing communication, the Secretary of the Western Australian Chamber of Manufacturers (Inc.) also stated, *inter alia*:—

“Whilst the absence of any direct evidence from local manufacturers may be remarked, it is hoped that it will not be misunderstood.

“There is a very natural reluctance on their part to admit difficulties with regard to competition even when that competition is unfair, and perhaps impossible to overcome.

“Western Australian manufacturers are also disinclined to lay bare their methods, conditions, and aspirations lest Eastern States competitors seize on the information so provided and turn it to their own advantage.

“Another phase of the manufacturers’ difficulties is indicated by the costs and trouble involved in the “forced” trading with protected Eastern States industries supplying the raw material for the factory in Western Australia which is converting this into a finished product. This condition

is not restricted to one industry alone, as there are many factories in the Eastern States which have secured protection for their product, which is the raw material in Western Australia. A case in point is that of mattress wire. Originally, two classes of wire were imported, mostly from England. These were tinned steel and galvanised steel wire. They were duty free under security for the manufacture of wire mattresses only. When an Australian factory started making galvanised steel mattress wire a duty was placed on the imported line, but tinned wire was still free.

“Supplies of sheet steel are also difficult to procure, and it would appear that out of sight is more or less out of mind. Users of this material are continually in trouble for supplies, and as this is virtually an Australian monopoly, there appears to be no alternative but to wait on the convenience and grace of the Eastern States. Stocking in large quantities is not possible as the discounts are not sufficiently attractive to make up for the interest involved in financing the purchases. In short Western Australia has been forced into channels of purchases which have retarded the progress of the manufacturing interests. The impetus given to the Eastern States factories by tariff is lost to Western Australian concerns, consumers pay more, business is impeded, and the State suffers. For the foregoing reasons Western Australia has suffered considerably through Federation, and naturally seeks relief from the severe handicap inflicted.

“To indicate a further phase of the position in Western Australia it is proposed to manufacture tin-plate in Australia.

“Whilst we do not disagree with the proposition, the trouble will commence when the tariff protection is applied.

“Immediately manufacturing is commenced a deferred duty of 70s. per ton will come into operation, thus increasing the costs of this commodity to the West Australian consumer.

“In the event of prohibition being declared the total extra cost imposed will possibly be more than the amount mentioned.

“Everything manufactured from tinplate will immediately cost more to the public of Western Australia without any advantage accruing to this State from the manufacture, as the wages will be paid in the Eastern States, and these wages again spent in the same locality

“With all the people employed in the Eastern States (over 11,000) making goods for Western Australia, which can be made here, there is a large amount of spending, which goes to further swell the receipts in the States where they are occupied.

“These 11,000 people represent a population of about 50,000 souls, which people in turn are spenders of money sent from Western Australia, but which should be spent in the State wherein it is earned.

“Not only do these people require foodstuffs, clothing, and all the requirements of decent living, but they use public utilities, pay taxes, and so form a formidable asset to places other than where they legitimately belong.

“The foregoing remarks are simply put forward to show the burden which is laid upon the taxpayer of Western Australia as the result of Federation, and any mention herein of specific industries is only made as a general illustration, and because of the fact that so many people are engaged in the Eastern States who should be employed in the State where the consumer is.”

APPENDIX No. 47.
INDUSTRIAL ESTABLISHMENTS.

	Western Australia.	New South Wales.	Victoria.	Queens- land.	South Australia.	Tasmania.
Percentage increase in number of factories, 1903 to 1932 ...	154.3	112.8	97.6	†54.1	†68.7	106.7
Percentage increase in number of employees, 1903 to 1932 ...	13.2	92.5	75.2	†49.4	†23.6	15.6
Percentage of Commonwealth Total, 1903 ...	6.04	33.50	37.37	10.47	9.03	3.97
Percentage of Commonwealth Total, 1932 ...	4.0	37.5	38.1	†10.6	†7.1	2.7
Percentage increase in number per 10,000 of population, 1903 to 1932 ...	— 40.5	8.4	17.5	†—17.0	†—23.1	—8.2
Percentage increase in average wages per employee, 1908 to 1932 ...	50.72	122.7	123.6	130.6	101.0	97.8
Percentage increase in value of output per employee, 1908 to 1932 ...	156.1	100.9	122.0	169.2	87.5	*135.6
Percentage increase in value of output per head of mean population, 1908 to 1932 ...	68.7	78.0	108.8	86.0	20.2	*84.1
Percentage increase in value added in manufacture per employee, 1908 to 1932 ...	73.7	125.0	127.9	133.8	87.2	*92.6
Percentage increase in value added in manufacture per head of mean population, 1908 to 1932 ...	14.2	98.8	114.9	61.4	20.1	*50.0
Percentage increase in value of capital employed, 1903 to 1932 ...	288.9	543.2	426.6	269.9	336.9	381.2
Percentage increase in value of capital employed, per employee ...	243.5	234.1	200.7	147.4	253.4	316.2
Percentage increase in value of capital employed, per head of population ...	102.7	265.0	253.4	105.3	182.3	286.5

Minus sign (—) shows decrease.

* 1910 and 1932 compared.

† 1906 and 1932 compared.

‡ 1905 and 1932 compared.

APPENDIX No. 47.—*continued.*

INDUSTRIAL ESTABLISHMENTS—WESTERN AUSTRALIA.

Year.	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Employees Per 10,000 of Mean Population.	Value of Output.		Value added in Manu- facture.		Value of Capital.	
					Per Employee.	Per Head of Mean Population.	Per Employee.	Per Head of Mean Population.	Total.	Per Employee.
			Average Wage per Employee. †	£	£	£	£	£	£	£
1903	586	11,823	6.04	534	119.6	...	...	...	2,935,446	248.2
1904	672	12,685	6.23	536	119.9	...	...	...	3,507,714	276.5
1905	649	12,783	5.93	509	115.8	...	...	...	3,519,695	276.4
1906	665	12,897	5.64	496	118.7	...	...	...	3,636,756	282.0
1907	643	12,625	5.07	481	114.11	...	...	...	3,530,558	279.6
1908	627	12,425	4.83	469	123.56	15.73	198	9.56	3,810,408	266.7
1909	632	12,813	4.81	473	122.08	15.23	194	9.42	3,250,899	253.7
1910	680	14,107	4.92	521	123.93	16.73	193	10.05	3,568,555	253.0
1911	710	15,709	5.07	551	129.80	18.52	206	11.34	3,902,119	247.0
1912	711	16,382	5.00	543	136.67	20.21	214	11.63	4,151,908	253.4
1913	763	17,299	5.13	551	132.31	20.64	214	11.78	4,301,324	248.6
1914	787	17,640	5.32	545	137.30	19.73	214	11.67	4,894,310	277.5
1915	780	14,631	4.56	454	127.31	17.72	210	9.55	5,003,430	342.0
1916	771	12,676	4.00	403	136.20	19.00	235	9.45	5,065,368	399.6
1917	750	12,168	3.78	392	136.22	20.44	241	9.58	5,233,340	430.1
1918	764	12,917	3.94	420	138.55	22.75	235	9.88	5,230,353	404.9
1919	764	12,917	3.79	420	138.55	22.75	235	9.88	6,070,903	470.0
1920	817	15,400	4.00	482	145.24	22.75	238	11.40	6,690,766	434.2
1921	895	17,094	4.41	517	173.60	34.72	280	14.46	6,803,172	399.4
1922	986	18,127	4.58	544	191.91	33.88	337	15.62	8,210,916	453.5
1923	1,199	19,097	4.63	562	189.32	33.33	302	10.08	8,210,916	430.4
1924	1,188	19,712	4.50	566	190.22	34.39	280	16.36	8,702,956	441.5
1925	1,188	20,670	4.83	550	206.35	38.25	317	17.97	9,427,437	456.1
1926	1,170	20,660	4.74	544	210.98	38.42	310	17.22	10,336,066	500.1
1927	1,216	19,403	4.29	496	210.83	41.38	364	18.63	10,132,285	522.2
1928	1,398	20,420	4.54	493	216.00	43.33	384	19.06	10,935,150	535.5
1929	1,469	20,804	4.62	495	220.87	43.00	389	19.04	11,962,654	575.0
1930	1,466	20,643	4.60	471	222.92	40.53	386	18.24	11,782,400	599.8
1931	1,455	14,620	4.31	348	210.26	29.37	301	12.56	11,791,939	806.6
1932	1,490	13,392	3.98	318	186.23	26.53	344	19.92	11,416,422	852.5

* Inclusive of Working Proprietors.

† Exclusive of Working Proprietors.

APPENDIX No. 47—*continued*.
INDUSTRIAL ESTABLISHMENTS—NEW SOUTH WALES.

Year	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Employees Per 10,000 of Mean Population.	Value of Output.		Value added in Manu- facture.		Value of Capital.		
					Average Wage per Employee.	Per Head of Mean Population.	Per Employee.	Per Head of Mean Population.	Total.	Per Employee.	Per Head of Population.
					£	£	£	£	£	£	£
1903	3,476	65,033	33.50	463	...	...	...	...	15,039,696	229.1	10.54
1904	3,632	68,086	33.44	472	...	...	...	...	15,678,793	230.4	10.76
1905	3,700	72,175	33.62	491	...	...	...	...	16,061,838	222.5	10.77
1906	3,801	77,822	34.03	517	75.05	...	...	...	16,437,227	211.2	10.77
1907	4,432	86,467	34.75	566	80.03	431	25.53	108	18,664,031	215.9	11.90
1908	4,453	89,098	34.60	580	84.72	451	26.88	104	20,159,102	226.3	12.67
1909	4,581	91,702	34.42	574	87.27	468	30.38	171	21,345,086	232.8	13.23
1910	4,853	99,746	34.78	611	90.83	497	30.88	182	23,687,390	237.5	14.41
1911	5,039	108,624	34.85	664	96.35	500	32.70	190	25,985,055	239.2	15.32
1912	5,162	115,561	35.29	685	104.44	529	35.22	208	28,561,005	247.2	16.07
1913	5,346	120,400	35.72	665	109.66	545	36.32	209	30,655,781	254.6	16.71
1914	5,269	116,611	35.15	626	112.94	585	36.67	220	33,710,680	289.1	18.11
1915	5,269	116,611	36.32	626	112.94	585	36.67	220	33,710,680	289.1	18.11
1916	5,210	116,401	36.75	622	119.20	610	37.95	230	35,981,621	309.1	19.36
1917	5,356	117,997	36.08	626	126.16	728	45.60	245	39,284,179	332.9	20.78
1918	5,414	120,554	36.75	628	126.18	798	50.10	262	42,272,910	350.7	21.90
1919	5,460	127,591	37.48	650	137.33	821	53.43	275	45,733,029	358.4	22.43
1920	5,662	144,454	38.34	709	154.87	853	60.45	291	50,474,973	349.4	24.13
1921	5,837	145,011	37.51	693	182.39	951	65.92	322	59,544,861	410.6	27.08
1922	6,356	148,876	37.65	699	186.21	892	62.44	341	67,281,833	451.9	30.96
1923	6,702	152,266	36.92	701	184.44	872	61.09	365	72,108,270	473.6	32.04
1924	7,321	159,674	37.13	723	194.08	917	66.24	349	79,121,082	495.5	35.10
1925	7,906	161,616	37.76	703	203.29	988	70.30	365	84,904,980	525.4	36.94
1926	8,196	169,748	38.91	722	206.20	1,001	73.94	382	89,948,846	529.9	38.31
1927	8,222	179,804	39.67	744	215.04	1,000	76.37	389	95,610,081	533.1	39.83
1928	8,362	170,094	39.60	727	220.75	1,019	75.58	403	99,903,985	561.0	40.86
1929	8,465	180,806	40.14	729	221.37	1,025	75.78	407	102,740,713	568.2	44.51
1930	8,208	162,913	38.86	658	222.67	1,027	67.51	410	107,300,687	658.6	43.30
1931	7,544	127,591	37.65	510	206.83	929	47.38	388	100,688,196	789.1	40.27
1932	7,997	126,368	37.54	502	188.67	906	45.45	369	96,740,820	765.5	38.47

* Inclusive of Working Proprietors.

† Exclusive of Working Proprietors.

APPENDIX No. 47—continued.

INDUSTRIAL ESTABLISHMENTS.—VICTORIA.

Year.	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Employees Per 10,000 of Mean Population.	Average Wage per Employee.	Value of Output.		Value added in Manu- facture.		Value of Capital.	
						Per Employee.	Per Head of Mean Population.	Per Employee.	Per Head of Mean Population.	Total.	Per Employee.	Per Head of Population.
					£	£	£	£	£	£	£
1903	4,151	73,229	37.37	606	...	...	...	...	12,978,841	177.2	10.74
1904	4,208	76,287	37.49	634	...	...	...	...	13,698,185	179.2	11.29
1905	4,204	80,235	37.37	665	...	...	...	...	13,050,157	174	11.46
1906	4,300	85,229	37.26	702	67.69	...	...	...	14,512,465	170.8	11.78
1907	4,500	90,903	36.33	742	69.33	327	24.23	129	15,148,100	168.6	12.14
1908	4,608	93,808	36.42	736	71.59	328	24.83	136	15,546,633	165.7	12.33
1909	4,755	97,355	36.54	772	78.57	338	26.09	144	15,782,648	162.1	12.36
1910	4,873	102,176	35.62	797	78.18	359	28.59	149	16,613,348	162.6	12.77
1911	5,126	111,948	35.01	848	83.48	391	31.62	159	18,257,893	163.1	13.63
1912	5,263	116,108	35.46	856	91.19	404	33.48	164	19,457,795	167.6	14.09
1913	5,613	118,744	35.22	852	94.74	391	34.41	173	20,775,738	165.6	14.71
1914	5,650	118,309	35.60	832	98.50	418	34.73	178	21,975,646	185.6	15.36
1915	5,413	113,824	35.45	794	101.73	452	36.07	182	22,529,072	197.9	15.87
1916	5,413	113,824	35.91	795	101.75	452	35.95	182	22,529,072	197.9	16.11
1917	5,445	116,970	36.37	833	103.87	513	42.74	196	23,784,289	203.3	18.86
1918	5,627	118,261	36.04	834	110.77	567	47.32	211	25,460,282	215.3	17.79
1919	5,720	122,349	35.93	908	120.47	655	55.79	230	27,318,735	223.3	18.18
1920	6,038	136,522	36.24	921	135.52	743	67.50	263	30,804,520	225.6	20.16
1921	6,532	140,743	36.40	934	159.41	753	69.50	289	35,492,735	252.2	22.89
1922	6,753	144,876	36.64	960	172.84	733	68.50	317	40,992,280	282.9	25.78
1923	7,006	152,625	37.01	990	175.79	729	69.98	313	46,423,240	304.2	28.56
1924	7,289	156,162	36.32	961	184.80	730	70.09	319	53,106,475	340.6	32.10
1925	7,425	151,588	35.41	902	189.09	780	71.32	323	61,031,975	405.0	36.24
1926	7,461	149,195	34.18	872	194.69	805	71.25	322	60,396,500	402.6	35.28
1927	7,690	157,598	34.85	906	198.67	808	74.42	336	63,850,005	431.1	36.67
1928	8,245	156,348	34.76	888	201.83	822	73.77	344	67,507,020	445.1	38.34
1929	8,197	156,598	34.76	890	197.41	817	72.63	339	69,909,370	446.5	39.31
1930	8,195	151,009	36.02	850	197.07	813	69.11	339	72,011,020	476.9	40.52
1931	8,199	126,016	37.19	704	179.29	741	52.17	313	70,990,071	563.3	39.64
1932	8,204	128,265	38.10	712	160.15	728	51.85	294	68,350,676	532.9	37.95

APPENDIX No. 47—*continued*.
INDUSTRIAL ESTABLISHMENTS—QUEENSLAND.

Year.	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Employees Per 10,000 of Mean Population.	Value of Output.		Value added in Manu- facture.		Value of Capital.		
					Average Wage per Employee.	Per Employee.	Per Employee.	Per Head of Mean Population.	Total.	Per Employee.	Per Head of Population.
					£	£	£	£	£	£	£
1903	...	...	...	...	...	...	...	...	6,083,423	...	...
1904	...	...	...	...	...	...	...	...	6,890,494	...	...
1905	...	...	...	...	...	...	...	...	6,988,007	...	...
1906	...	23,901	10.47	447	72.09	401	...	8.70	6,688,061	279.1	12.50
1907	1,304	27,954	11.23	515	78.28	383	...	7.80	6,251,218	223.6	11.54
1908	1,359	29,200	11.34	527	82.00	435	...	9.33	7,233,230	247.7	13.10
1909	1,371	29,504	11.03	518	86.79	465	...	10.08	7,346,237	249.0	12.71
1910	1,420	33,944	11.83	574	87.15	422	...	11.21	7,677,493	226.2	12.82
1911	1,563	37,156	12.51	605	93.88	459	...	12.22	8,225,035	221.4	13.22
1912	1,657	40,948	12.51	648	100.05	559	...	14.57	8,907,462	219.0	14.09
1913	1,790	42,963	12.57	649	100.91	559	...	14.49	9,800,971	231.4	14.85
1914	1,838	43,282	13.05	641	104.21	589	...	13.84	11,393,009	261.8	16.74
1915	1,796	42,079	13.11	612	108.13	605	...	13.73	11,497,518	273.2	16.91
1916	1,775	38,983	12.62	583	125.28	639	...	10.15	12,558,097	314.1	16.37
1917	1,782	40,446	12.57	592	129.45	790	...	13.55	11,098,711	274.4	16.37
1918	1,793	40,990	12.49	586	135.86	746	...	15.55	13,910,796	339.4	20.03
1919	1,778	40,990	12.04	586	129.45	746	...	15.55	14,754,018	339.9	20.04
1920	1,778	40,891	10.85	564	161.12	794	...	18.03	15,876,775	388.3	21.15
1921	1,795	43,196	11.17	578	177.12	907	...	21.02	16,626,608	384.9	21.61
1922	1,810	42,248	10.09	553	179.21	955	...	20.30	17,713,725	419.3	22.47
1923	1,878	43,403	10.53	556	179.21	871	...	19.99	17,713,725	408.1	21.84
1924	1,912	44,948	10.45	554	204.16	865	...	21.12	19,605,652	436.2	23.48
1925	1,890	46,476	10.86	540	200.41	1,057	...	21.99	21,876,136	470.7	25.48
1926	1,897	47,551	10.80	540	200.41	965	...	17.31	23,382,170	491.7	26.30
1927	1,877	44,122	9.76	490	212.33	937	...	18.69	24,689,259	539.6	27.46
1928	2,118	44,711	9.95	486	209.45	1,039	...	18.27	25,716,179	575.2	28.05
1929	2,156	45,031	9.99	484	211.80	1,058	...	17.33	26,384,588	585.9	28.34
1930	2,172	42,624	10.17	458	195.26	1,068	...	14.27	25,414,296	596.2	27.39
1931	2,104	37,901	11.19	400	180.57	1,066	...	12.59	25,455,110	671.6	23.85
1932	2,009	35,799	10.63	371	...	1,031	...	...	24,724,539	690.6	25.66

APPENDIX No. 47—continued.

INDUSTRIAL ESTABLISHMENTS—SOUTH AUSTRALIA.

Year.	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Value of Output.		Value added in Manu- acture.		Value of Capital.	
				Per Employee.	Per Head of Mean Population.	Per Employee.	Per Head of Mean Population.	Total.	Per Employee.
1903	...	...	...	£	£	£	£	£	£
1904	...	19,273	...	...	...	...	...	4,041,260	...
1905	...	20,153	529	...	...	...	...	4,401,260	200.7
1906	985	22,701	549	...	...	...	...	4,041,260	200.5
1907	1,012	24,236	611	...	...	...	...	4,041,260	178.0
1908	1,086	22,701	635	80.03	24.02	156	9.54	4,375,747	180.5
1909	1,237	25,709	656	83.55	27.44	159	10.01	4,507,868	177.7
1910	1,295	27,010	673	83.08	25.33	153	10.01	4,874,376	180.5
1911	1,278	27,855	678	90.44	27.88	166	11.10	5,460,855	195.8
1912	1,314	27,855	678	99.56	30.19	176	11.05	5,944,001	208.6
1913	1,341	28,500	670	105.62	31.87	184	12.43	6,267,421	219.8
1914	1,353	28,511	658	111.66	32.29	198	12.02	6,267,084	232.8
1915	1,323	26,874	611	115.31	30.04	197	12.00	6,391,041	230.7
1916	1,265	25,496	580	111.53	31.85	207	11.81	6,775,409	261.2
1917	1,266	25,496	571	111.54	31.34	207	11.81	7,224,217	268.6
1918	1,235	26,634	596	131.94	39.35	233	15.26	7,008,001	294.7
1919	1,313	27,015	610	136.64	45.47	254	15.54	8,068,914	308.2
1920	1,368	30,442	611	141.63	45.52	292	16.25	9,607,280	312.5
1921	1,438	30,430	620	166.96	47.46	313	19.43	10,843,519	335.3
1922	1,432	31,171	620	177.76	52.42	314	21.22	13,441,973	382.1
1923	1,603	34,695	676	178.83	56.51	307	21.80	15,842,680	406.7
1924	1,698	37,273	686	186.83	59.69	325	22.98	16,949,028	412.7
1925	1,711	37,714	685	207.02	64.24	332	24.11	18,207,482	466.3
1926	1,791	39,050	708	217.84	65.13	345	23.43	19,816,062	524.8
1927	1,807	41,075	708	217.84	61.53	341	21.69	20,223,713	507.3
1928	1,860	40,044	673	215.11	58.13	341	18.92	18,601,557	778.8
1929	1,844	36,807	635	215.11	58.13	341	18.92	17,656,901	741.0
1930	1,514	32,185	555	213.62	52.24	325	13.82	...	...
1931	1,544	23,880	410	192.67	34.35	292	11.90	...	...
1932	1,662	23,830	407	187.95	32.98	292	11.90	...	...

APPENDIX No. 47—continued.

INDUSTRIAL ESTABLISHMENTS—TASMANIA.

Year.	Factories.	Employees.	Employees Per cent. of Common- wealth Total.	Employees Per 10,000 of Mean Population.	Value of Output.		Value added in Manu- facture.		Value of Capital.		
					£	Per Head of Mean Population.	£	Per Employee.	Total.	Per Employee.	Per Head of Population.
1903	431	7,785	3.97	439	...	...	...	...	1,918,055	246.4	10.69
1904	444	8,224	4.04	449	77.5	...	...	...	1,754,448	213.3	9.74
1905	486	8,498	3.94	459	76.6	...	...	...	1,717,441	202.8	9.49
1906	373	8,498	3.72	401	75.87	...	...	...	1,598,720	177.5	8.37
1907	505	8,203	3.30	444	84.07	...	...	...	1,809,715	220.5	9.83
1908	557	8,727	3.30	465	84.31	...	...	...	2,107,319	231.2	10.86
1909	544	9,322	3.50	490	87.78	...	...	...	2,212,309	237.3	11.46
1910	605	9,848	3.43	516	80.32	15.62	162	8.38	2,041,171	207.3	10.53
1911	609	10,238	3.30	541	84.47	18.52	153	8.26	2,267,187	220.2	11.72
1912	611	9,557	3.04	519	90.40	20.20	159	8.27	2,255,507	226.5	11.44
1913	623	9,784	3.30	541	90.40	19.30	174	8.67	2,354,399	240.6	11.67
1914	603	8,922	2.69	430	98.82	21.15	188	8.44	2,336,092	261.8	11.60
1915	589	8,420	2.62	422	97.82	23.55	240	10.14	2,360,976	280.4	11.74
1916	568	8,862	2.64	406	104.88	24.55	276	11.46	2,393,702	286.3	11.97
1917	540	8,079	2.51	439	108.07	28.67	282	12.38	2,352,363	316.7	13.21
1918	553	8,713	2.66	439	115.57	30.32	285	13.86	2,759,883	344.8	14.31
1919	632	10,016	2.56	488	120.03	33.99	285	13.86	3,004,090	390.9	13.69
1920	616	10,225	2.64	486	150.86	37.17	310	14.88	2,913,187	400.7	18.77
1921	686	10,127	2.56	475	150.93	39.02	342	15.68	4,096,959	509.0	23.54
1922	689	10,354	2.50	481	167.23	39.02	342	15.68	5,154,542	499.3	23.53
1923	781	12,219	2.84	557	163.40	35.61	307	17.14	5,154,542	499.3	23.53
1924	675	9,990	2.33	454	197.44	36.00	333	15.56	8,246,061	674.9	37.85
1925	727	10,147	2.32	483	194.38	37.04	338	15.68	8,833,306	884.2	40.70
1926	707	10,622	2.35	483	196.17	37.04	338	15.68	8,907,550	877.8	41.48
1927	792	11,111	2.47	485	189.30	38.17	330	17.01	8,860,805	834.2	41.05
1928	785	10,466	2.32	476	189.80	39.15	340	16.43	8,984,383	808.6	41.24
1929	845	10,890	2.58	494	195.80	39.08	329	16.25	9,084,862	863.3	41.24
1930	805	10,820	2.61	400	183.28	27.72	318	12.72	9,963,304	1,040.0	45.43
1931	891	9,000	2.67	403	160.76	28.75	312	12.57	9,181,773	1,040.0	41.61
1932	...	...	...	...	...	...	...	...	9,230,444	1,025.6	41.32

APPENDIX No. 48.

SHOWING POPULATION FIGURES USED IN TABLES ATTACHED TO THIS CASE.

Year.	New South Wales	Victoria.	Queens-land.	South Australia.	Western Australia.	Tasmania.
1890	1,121,860	1,133,270	392,660	319,410	46,290	145,290
1891	1,162,190	1,158,400	400,130	324,050	53,280	151,330
1892	1,191,790	1,168,890	409,040	333,860	58,670	170,380
1893	1,214,550	1,176,450	417,970	343,050	65,060	150,530
1894	1,231,250	1,182,630	428,540	347,220	82,070	152,600
1895	1,262,270	1,186,300	441,110	350,810	101,240	154,930
1896	1,278,970	1,180,710	450,300	351,600	137,950	159,280
1897	1,301,780	1,183,090	460,430	352,370	161,920	163,870
1898	1,323,130	1,183,370	471,510	355,210	168,130	168,320
1899	1,344,080	1,189,670	482,400	359,290	171,030	172,220
1900	1,364,590	1,197,390	498,250	361,350	180,150	172,980
1901	1,379,531	1,211,153	511,080	365,180	194,110	174,380
1902	1,403,332	1,211,448	510,855	366,658	213,328	177,458
1903	1,427,324	1,208,855	515,534	368,821	226,955	179,480
1904	1,457,262	1,210,306	521,660	372,679	242,290	180,193
1905	1,491,720	1,218,573	528,053	378,206	254,779	181,099
1906	1,526,697	1,231,940	535,113	383,829	261,746	180,156
1907	1,568,942	1,248,095	541,765	392,664	261,563	184,008
1908	1,591,673	1,271,174	552,345	407,179	267,111	185,824
1909	1,621,677	1,303,357	572,654	416,047	273,543	186,860
1910	1,643,855	1,301,408	599,016	406,868	276,832	193,803
1911	1,696,475	1,339,102	622,129	418,172	294,181	193,479
1912	1,777,534	1,380,561	636,425	430,090	306,129	197,205
1913	1,831,716	1,412,119	660,158	440,047	320,684	201,675
1914	1,861,522	1,430,667	676,707	441,690	323,018	201,416
1915	1,870,419	1,419,176	678,675	438,285	318,016	201,025
1916	1,884,722	1,404,831	677,986	441,947	306,591	195,666
1917	1,919,621	1,417,239	687,628	446,830	306,492	198,076
1918	1,961,443	1,437,433	705,537	457,688	309,782	202,924
1919	2,038,152	1,503,241	737,588	481,613	327,405	209,955
1920	2,091,115	1,528,151	752,245	491,177	330,819	212,847
1921	2,127,916	1,550,681	768,231	502,411	335,715	218,316
1922	2,172,932	1,590,225	788,290	513,194	343,608	218,924
1923	2,209,445	1,625,380	811,168	524,748	353,815	219,074
1924	2,254,450	1,657,095	834,894	538,506	364,124	217,839
1925	2,298,442	1,684,017	861,185	551,633	372,183	217,032
1926	2,347,781	1,711,827	882,193	566,394	378,746	214,754
1927	2,400,266	1,741,390	899,176	575,771	392,292	215,862
1928	2,445,280	1,760,964	916,689	579,348	405,873	216,563
1929	2,477,585	1,777,065	930,871	580,271	416,763	219,065
1930	2,500,486	1,790,817	948,195	582,127	420,606	220,644
1931	2,517,758	1,801,294	963,711	584,968	421,609	223,390

SOURCES OF INFORMATION FROM WHICH THE POPULATION FIGURES HAVE BEEN SUPPLIED.

1890-1901 ...	Statistics—Six States of Australia and New Zealand, 1861-1904, W. H. Hall Acting Statistician of New South Wales.
1902-1909 ...	Commonwealth Year Book No. 4
1910-1914 ...	" " " 9
1915 ...	" " " 11
1916-1920 ...	" " " 14
1921-1923 ...	" " " 18
1924-1928 ...	" " " 22
1929 ...	" " " 23
1930 ...	" " " 24
1931 ...	" " " 25

The populations as at the last date of each year have been taken as the mean populations for the fiscal years ended the following June.

CHAPTER 13.—THE PRESENT PREDICAMENT OF WESTERN AUSTRALIA.

494. The very serious condition of Western Australia's staple industries, and the possible resultant dislocation of the whole economic structure and social fabric of the State, cannot be emphasised too much. The position is most serious, and gives cause for the greatest apprehension.

495. Like any other Government, wherever it may be, the governments of Western Australia have not been entirely free from errors of judgment. Even so, the losses which have thereby been incurred in development schemes, are much greater than they would have been if Western Australia had been free from Federation. Had she been free from the high costs imposed by the Federal tariff, the original capital outlay would have been much less, and in consequence thereof the loss would have been much less also.

496. Similarly, the community at large is not entirely without blame. Lavish and over-easy borrowing in the boom period which ended in 1929, led to an unlimited extension of credit; the associated banks competed keenly for business (so much of banking business in Western Australia consists of granting overdrafts to farmers upon the security of their broad acres) and there was over-trading by the merchants in competition for business. The period of high prices for produce—such prices were discounted by the diminishing purchasing power of the Australian £1—gave farmers a false idea of their prosperity. In all these failings, however, the people of Western Australia were not alone; it was a world-wide weakness at that time.

497. Wool, which realised an average annual price of from 16d. per lb. to 26d. per lb. during the period 1922-23 to 1928-29, realised less than 9d. per lb. during each of the years 1930-31, 1931-32 and 1932-33. With such a tremendous fall in the price of their product, pastoralists have naturally found themselves in a very precarious position.

498. An encouraging feature in respect of the pastoral industry is the substantial rise in the prices realised for wool at the current sales for the 1933-34 season; but the wool market is subject to so many influences and fluctuations that it is impossible to say, with any degree of certainty, whether this increase will be maintained. In any event, there is a big lee-

way to be picked up; producers will be faced with heavy expenditure, in repairing their improvements, which they were forced to neglect during the past few years; and if the pastoral industry is to thrive and prosper, it must have urgent relief from the burden of protection.

499. From 1917-18 to 1929-30 the export price of wheat had averaged 5s. 7¼d. per bushel; it had risen higher than 7s. (1919-21) and had never fallen below the 1929-30 price of 4s. 6½d. Then came the terrific drop in prices. In 1930-31 the average export price of wheat was 2s. 3½d. per bushel, in 1931-32 it was 3s. 1½d.; 3s. in 1932-33 and 2s. 9d. in 1933-34. These were the export prices and were equivalent to a net price to the producer of 1s. 8½d., 2s. 6½d., 2s. 5d. and 2s. 2d. per bushel respectively. Included in these prices realised by the wheatgrowers (and also in the wool prices as above) there was the premium occasioned by the depreciation of the Australian currency—a depreciation which commenced in January, 1931, has never been less than 25 per cent., and which is equivalent to an increase of that percentage in the price that would otherwise have been realised for wheat, wool, gold, etc., during those years. It is a matter for conjecture how long these products will continue to enjoy the benefit even of this enhancement in price.

500. For four successive seasons the wheat industry of Western Australia has been conducted at a heavy loss, and many of the people of Western Australia have been living in conditions of great hardship and distress as a result thereof. Credit has been restricted, and unemployment has been very prevalent.

501. The calamitous condition of those industries upon which rests the economic structure of Western Australia, is, however, definitely due to Federation and Federal policy. The declining profitableness of the primary industries has been due mostly to the burden of Australian high protection, and cannot be attributed to any material extent to the world trade depression, although the depression certainly precipitated the crisis, that had been foretold for many years by thoughtful Western Australians, and aggravated an already serious position.

502. When the depression did come, it naturally affected Western Australia with greater severity, dependent as she is upon export industries.

503. The losses have not been confined to the primary producers, but heavy losses have been suffered by the local manu-

facturers, the merchants, the investors and many others; factories have closed down; building construction has been greatly retarded; staffs have been heavily curtailed in warehouses and shops, in government services, and in almost every avenue of employment, the wages and salaries of those who were fortunate enough to remain secure in their position have been substantially reduced; houses in the metropolis have become untenanted; many people have been unable to retain their homes; exports have fallen, imports have dropped, and many wharf lumpers are thus deprived of employment. The cumulative effects of this great reduction in the purchasing power of the people have been appalling. Privation is prevalent and the State Government has been left no alternative but to provide sustenance for a very large proportion of the population.

504. In the budget of Western Australia there appeared a new and sinister item of expenditure—"Unemployment Relief." The expenditure from Revenue in this direction has been as follows:—

	£
1930-31	436,000
1931-32	644,000
1932-33	347,000
1933-34 (estimate)	350,000

505. The above figures merely show the expenditure from revenue. Actually the total expenditure (from revenue and from Loan funds) is much higher for the years 1932-33 and 1933-34. The Loan estimates for 1933-34 total £2,646,000 and of this amount a very large proportion is being expended in unemployment relief works; and, but for such loan expenditure, the charge against revenue for unemployment relief would have been considerably increased.

506. The losses and hardships referred to above relate more particularly to the urban population of the State, whose employment ultimately depends upon the prosperity of the primary producers. The plight of the wheatgrowers and other agriculturists themselves is one even of greater hardship and severe distress. The very first year of depression found them in dire straits, and on the 26th May, 1931, a Royal Commission was appointed for the purpose, *inter alia*, of inquiring into, and reporting upon, the disabilities affecting the agricultural industry of Western Australia, and to report on the main causes affecting the cost of production, including interest charges and the bur-

den of the customs tariff, and to make recommendations for the liquidation of farmers' debts. The Royal Commission comprised Messrs. A. H. Dickson, local director of Goldsbrough, Mort, Ltd., H. Hale, solicitor, G. H. Carlisle, public servant, F. C. Farrall, farmer, and T. Pelloe, retired bank manager. Their report disclosed that, notwithstanding years of good seasons and good prices, the estimated indebtedness of the farmers—some 20,500 in number—at the 30th April, 1931, was as follows:—

WESTERN AUSTRALIA.

INDEBTEDNESS OF FARMERS, 4TH APRIL, 1931.

	£	£
Agricultural Bank—Soldiers Settlement		
Scheme, etc.		13,257,000
Interest Outstanding		1,037,000
		<hr/>
		£14,294,000
Associated Banks	11,030,000	
Commonwealth Bank	70,000	
Insurance and Trustee Companies	1,408,000	
Oil Companies	1,000,000	
Jute Merchants	115,000	
Superphosphate Merchants	272,000	
Machinery Merchants	1,500,000	
Country Storekeepers	1,500,000	
Wheat Merchants (Account stored wheat)	470,000	
	<hr/>	17,365,000
		<hr/>
		£31,659,000
		<hr/>

507. The above figures, states the report, do not include amounts owing by farmers to stock and station agents, private mortgagees, doctors and trades people other than country storekeepers.

508. The following paragraph also appeared in the report of the Commission:

"The Wheat Industry has become so essential to the trade of the State that it must be sustained over the present period of price failure."

"TARIFF: The evidence tendered to your Commissioners is almost unanimous in condemnation of the very heavy imposts on the primary producer due to the tariff and it is very evident that its incidence constitutes the greatest disability under which the primary producer is labouring. There is no escaping its effects, and if the present protection be the accepted policy of Australia, then in effect (your Commissioners grant, unintentionally) it is destined to crush the primary producer out of existence and incidentally have a similar effect on Western Australia, dependent as it is, basically, on primary production."

509. The Farmers' Debts Adjustment Act, 1931, represents the outcome of the Commission's recommendation for the liquidation of farmers' debts. If a farmer elects to secure a stay order under that Act and can make satisfactory arrangements with his creditors, a receiver is appointed to carry on his farm and distribute his crop proceeds in the manner specified; and all actions by creditors, secured and unsecured, for the recovery of debts are (subject to any invalidity of the Act to the extent, if any, to which it may infringe the Commonwealth Bankruptcy Laws) stayed so long as the farmer remains under the Act. Over 900 stay orders have been issued under that Act, although not in every case has the farmer been able to make satisfactory arrangements with his creditors. In the majority of cases where the farmer has not actually been brought under the provisions of the Farmers' Debts Adjustment Act, the position is little better than it is with those who have, but they have generally been able to make satisfactory arrangements with their creditors without invoking the protection afforded by that Act, although some 700 farmers have, either voluntarily or involuntarily, been brought under the provisions of the Commonwealth Bankruptcy Act.

510. It is not doing an injustice to say that directly and indirectly successive Commonwealth governments have persistently refused to give due consideration to the necessities of the wheat industry, having regard to its importance in the economic life of the country.

511. When in 1930 Australia urgently required to establish credit overseas and the Prime Minister appealed to the wheat-growers "to grow more wheat" they rose to the occasion; in 1930-31 Western Australia with but one-sixteenth of the population of the Commonwealth produced a record crop of over 53 million bushels, and accounted for one-quarter of the whole of the wheat produced in Australia in that year. The wheat-growers of Western Australia did more than their just share in helping to avoid default in the payment of Australia's overseas interest. They grew more wheat—and the greater the acreage, the greater the loss. Having for so long borne the burden of the Commonwealth's policy of protection and bounties for the sugar, the steel, and so many other industries, the wheat-growers in their plight, considered themselves entitled to a wheat bounty from the Commonwealth government, but their request in 1930-31 was refused.

512. As the result of considerable agitation by the wheat-growers throughout Australia—an agitation which it was found necessary to revive each year—bounties have been granted by the Commonwealth for the years 1931-32, 1932-33, and 1933-34. In the first-mentioned year the bounty took the form of a payment of 4½d. per bushel on wheat sold from that year's crop; for subsequent years the payment has been allocated upon the basis of acreage sown to wheat, and the payments have ranged between 2s. and 3s. per acre sown. It is a condition of the payment for 1933-34 that the recipient shall not have had any taxable income during the year 1932-33.

513. The wheat bounties which have been granted, have made little or no difference to the distressing position in which the wheat-growers of Western Australia have found themselves during the past four years. Almost all of them are hopelessly in debt, harassed and worried, with the prospect of losing the whole result of years of labour and a lifetime's savings. Approximately 1,000 farms have been abandoned.

514. The following extract is taken from the presidential address of Mr. I. G. Boyle to the Wheat Growers' Union of Western Australia on the 13th February, 1934:—"The position of the wheat-grower in Western Australia is becoming progressively worse. It is safe to say that in three years his cropping losses aggregate quite six millions; his debt position is as bad as ever; his machinery old and dilapidated; farm improvements are at a standstill; and his is only 'the hope deferred that maketh the heart sick.'"

515. Moreover, there is not any room for satisfaction in the present position in which the State treasury finds itself as a result of the combined effects of Federation and of the present fall in prices. Since it federated thirty-three years ago, Western Australia has experienced a surplus in only five years. The deficit in 1930-31 was £1,420,000. This was due largely to the added burden of nearly £600,000 in respect of exchange on overseas interest and to the unemployment relief of which mention has already been made. The deficit was £1,500,000 in 1931-32 and £864,000 in 1932-33; while the estimated deficit for 1933-34 is £748,000. This reduction has been brought about largely by the most drastic reduction in government services and government expenditure; by the imposition of a heavy unemployment tax; and by financing from

Loan funds certain expenditure normally chargeable against revenue.⁽¹⁾

516. With its fields of revenue so greatly limited by the exclusion of the State from the field of indirect taxation by the provisions of the Constitution, and by the entry of the Commonwealth into the field of direct taxation, and with the other financial burdens of Federation, the public debt of the State has increased unduly, and with it has increased the annual interest charges, so that at the present time the service of the public debt of Western Australia absorbs no less than 45 per cent. of the total revenue of the State treasury.

517. Fortunately for the State, there has been a revival of the gold mining industry, due to the high price of gold, and this is the brightest ray in the dawn of 1934 in Western Australia. The Government, as explained in Chapter 10, has done all in its power to assist the industry. Under the government prospecting scheme about 2,000 men have been equipped and sent out in small parties to engage in prospecting in approved districts. Quite apart from the relief which such a scheme affords to unemployment, it has the possibilities of bringing great benefit to the men concerned, as well as of increasing the gold yield of the State. Whilst this increased production, together with the high price of gold, is a matter of great satisfaction, it makes but little addition to the direct revenue of the State. The rents from mining leases together with departmental fees are estimated at £30,000, while the anticipated governmental expenditure is £142,000. As a result of the rise in the price of gold additional English capital has been brought into the State for the purpose of prospecting, and to that extent this State has benefited. Any further benefit to this State from its mining industry, however, will depend on the continuance of the high price of gold, or the discovery of new valuable mines.

518. There does not appear to be any reasonable hope of a rise in the price of wheat. Indeed, at the time of writing this chapter, the record for low prices which was established in 1930-31 has already been broken by the average export price received for such portion of the present season's crop as has already been shipped. The indications are that the coming season will be no better than its immediate predecessors. The burden of the tariff precludes that reduction in production costs which might otherwise be attempted in order to

(1) See Appendix No. 23.

bridge the gap, or, at any rate, lessen the gap, between the cost of production and the market price of wheat.

519. It may be that a few particular sections of the community are at present in less straitened circumstances than they were in 1930. Generally speaking, however, the people of Western Australia continue in the unfortunate position in which they have found themselves during the past four years.

520. Finally, the position of Western Australia can truly and correctly be summed up in terms similar to the words in which the ⁽¹⁾Newfoundland Royal Commission expressed its conclusions concerning the effect upon Newfoundland of four successive years of failure in its staple industry. Western Australia has been brought to the edge of a financial precipice and it is impossible to escape the conclusion that a further season in which the main industry is conducted at a loss, may lead to a general collapse of the social fabric. The people of Western Australia have borne their plight with great courage and fortitude. True it is, that from the pitiable condition to which they have been reduced, some of the people—including some of the British migrants who arrived here during the last decade with high hopes and great ambitions—have lost heart; they have simply been overwhelmed by the apparent hopelessness of the position. On the whole, however, the people of Western Australia still have faith in their country and faith in themselves. When the security of the Empire was threatened in 1914 none responded to the call of Empire defence more readily than they. That same spirit still exists—the spirit to fight and conquer the economic and other forces which threaten their peace, their security and their general welfare. The people of Western Australia still have faith in their ability to govern themselves and to extricate themselves from their present difficulties, if only they be afforded the opportunity of doing so. That opportunity cannot be theirs while Western Australia continues to remain a State of the Commonwealth of Australia.

(1) Newfoundland Royal Commission Report, 1933, at page 84.

CHAPTER 14—THE MAIN GROUNDS FOR SECESSION.

521. Fundamentally, the case for Secession rests upon the urgent desire of the people of Western Australia to withdraw from the Federal Commonwealth of Australia.

522. The main reasons by which His Majesty's subjects in Western Australia are constrained to secede from the Commonwealth, and to resume the position which they previously enjoyed as a self-governing unit within the British Empire, are that the combined effects of an Australian protective customs tariff and of free trade between the States of the Commonwealth, have inflicted grave injustice, great hardship, and severe distress upon the people of Western Australia; that the result of the combined effects of Australian protection and interstate free trade are such as to have most seriously endangered the whole economic structure and social fabric of the State; and that adequate and necessary relief from the ill effects of Australian protection and interstate free trade as aforesaid, cannot be obtained by the people of Western Australia otherwise than by their withdrawal from the Commonwealth.

CHAPTER 15. — INDEPENDENT AUTHORITIES — THEIR RECOGNITION OF WESTERN AUSTRA- LIA'S DISABILITIES UNDER FEDERATION.

523. During the past ten years or more the disabilities suffered by Western Australia as a State of the Commonwealth, have been the subject of inquiry and investigation by several official and authoritative Commissions and Committees.

524. It is relevant to this Case, therefore, to set forth as briefly as possible, the conclusions which have been arrived at by those investigators; and to add that the authorities, whose opinions are quoted below, were all residents of other States or other countries; and that, those Commissions and Committees were in most cases appointed by, or at the invitation of, the Commonwealth Government itself.

THE BRITISH ECONOMIC MISSION, 1929 (Sir Arthur Duckham, Sir Hugo Hirst, Sir Ernest Clark, D. O. Malcolm, Esq.)—

"All measures designed for the increase of Australia's wealth production and power of absorbing new population tend to be defeated if there are strong forces within her which operate so to raise her cost of production that she cannot sell her products in the markets of the world, and is restricted within the limitations of her own home market." (At page 13 of the Mission's Report, 1929.)

"Most vexed and most important of all Australian questions is that of the cost of production with its effect upon export industries and of the combined effects of the Tariff and the Arbitration Acts.

"Their effects and that of the Navigation Acts have laid an unduly heavy burden on the unsheltered primary industries which have to export at the world's prices, and on the States principally concerned with such industries, viz., Western Australia, South Australia and Tasmania." (At page 20 of the Mission's Report, 1929.)

THE COMMONWEALTH TARIFF BOARD (R. McK. Oakley, Esq., Walter Leach, Esq., Herbert Brookes, Esq.)—

"It has been claimed by the critics, and it will be conceded by the Tariff Board, that the position into which the secondary industries of West Australia have drifted is most unfortunate. The Tariff Board is further satisfied that the situation has been growing steadily worse since the Colonial Secretary made his statement in 1918, and since the Under-Treasurer prepared his table and deductions." (At page 27 of the Tariff Board's Report of 1924.)

"Whatever additional cost the policy of Protection may add to the price of goods and material imported by the Australian consumer, the citizens of the Eastern States gain as a compensating advantage the pre-

sence of a large production and manufacture. Such is not the case with Western Australia, which is so placed that at present it has to bear whatever burden may arise under the protectionist tariff without reaping any of the accompanying advantages.' (At page 28 of the Tariff Board's Report of 1924.)

THE COMMONWEALTH ROYAL COMMISSION ON THE FINANCES OF WESTERN AUSTRALIA AS AFFECTED BY FEDERATION, 1925 (Hon. W. G. Higgs, ex-Federal Treasurer, John Entwistle, J.P., and Stephen Mills, Esq., C.M.G.)—

Per Commissioner Entwistle:—

(1) "In my opinion Western Australia should never have entered the Federation, but, having done so, there is, I feel convinced, only one complete and satisfactory remedy for her present disabilities, viz., Secession. If that event occurred, all other recommendations in this report would become unnecessary. As, however, it cannot be taken for granted that Secession will take place, I have joined in recommendations having the object of relieving (at least to some extent) the present financial disabilities of the State of Western Australia." (Paragraph 28 of the Commission's Summary and Conclusion.)

Majority Report:—

The Chairman and Commissioner Entwistle are of opinion:—

"That whatever benefit the Commonwealth protectionist policy may have conferred upon other States of the Commonwealth, it has not benefited the State of Western Australia; that it is impossible to give the primary producers of Western Australia relief by way of reduced Customs duties without injuring the secondary industries of the Eastern States; and that the only effective means of removing the chief disability of the State is to restore to the State, for a period of years, the absolute control of its own Customs and Excise."

They recommend:—

"That the State of Western Australia shall, during a period of 25 years, and thereafter until the Parliament otherwise provides, have the absolute right:—

(a) To impose its own Customs Tariff as in pre-Federation days, provided the State of Western Australia shall not impose higher duties upon the importation into the State of Western Australia of any goods produced or manufactured in or imported from other States of Australia than are imposed on the importation into the State of Western Australia of the like goods produced or manufactured in or imported from other countries.

(b) To impose its own Excise Tariff.

"The amount of money to be contributed by the State of Western Australia to the Federal expenditure of the Commonwealth in excess of Federal income tax, land tax, and probate duties, etc., to be determined

(1) On the 27th March, 1933, Mr. Entwistle despatched from Adelaide the following telegram to the Dominion League of Western Australia:—"Western Australia's future greatness and prosperity depend upon the removal of the burdensome yoke of Commonwealth domination and exploitation. I hope the good sense of your people will give you a great victory for freedom."

by negotiation between the Commonwealth Government and the Government of the State of Western Australia; or, in case of disagreement, by an arbitrator who shall be a citizen of the British Empire." (Paragraphs 8 and 9 of the Commission's Summary and Conclusions.)

PROFESSOR W. K. HANCOCK, Fellow of All Souls College, Oxford; and Professor of Modern History in the University of Adelaide; now Professor of Modern History in the University of Birmingham.

"Western Australia is an Economic Island separated from her sister States by a 'sea of solid ground.' Her people assert that they have been subsidising through the tariff (in so far as it is protective) industrial development which is confined almost entirely to New South Wales and Victoria; for no sane manufacturer would set out to conquer the Australian market by building his factory in a remote State which has a bare third of the population of Sydney. The South-East of Australia has a natural aptitude for protected industries; the West has a natural aptitude for unprotected industries. If Western Australians help pay taxes which help Melbourne and Sydney to add to their factories, surely the people of Victoria and New South Wales should pay taxes which would help Western Australia to add to her farms? But, on the contrary, the Commonwealth has retarded Western Australia's economic progress in order that new factories might belch smoke over Sydney and new streets stretch out from Melbourne. The costs of the Tariff fall not only on the private producers of wool and wheat and minerals, but upon the Government of the State, which must build railways, store water, and provide credit in order to open up for settlement the wide territories for which it is responsible. It is true that these costs fall also upon other Australian Governments; but the cost to the Commonwealth is a small thing compared with its profit as tax-receiver, and New South Wales or Victoria more than recover their losses through an increase of population, which reduces the overhead expenses of Government. In New South Wales, there are 412 inhabitants to share the cost of every mile of railway; in Western Australia there are only 97. Yet railway building has been necessary, as it has enabled the State to absorb in wheat production the workless miners dropped by decaying Kalgoorlie; it has enabled her to lead the Commonwealth in zealous immigration policies. Surely it is no less glorious to bring a million new acres under the plough than to add a few suburbs of Melbourne?" (In "Australia," 1930, at pages 105-6.)

"Western Australia is the only State which might, without serious danger, withdraw from the National Economic System . . ." (In "Australia," at page 76.)

THE AUSTRALIAN COMMITTEE OF ECONOMIC INQUIRY (J. B. Brigden, M.A., Professor of Economics in the University of Tasmania until May, 1929, now Director of the Bureau of Industry, Queensland; D. B. Copland, M.A., Professor of Commerce in the University of Melbourne; E. C. Dyason, B.Sc., B.M.E., Member of the Stock Exchange of Melbourne; L. F. Giblin, M.A., Deputy Statistician of Tasmania until February, 1929, Commonwealth Statistician from April, 1931, to December, 1933, now Ritchie Professor of Economics in the University of Melbourne; C. H. Wickens, I.S.O., F.I.A., F.S.S., Hon. M.S.S. (Paris), Commonwealth Statistician and Actuary)—

"In the Report we have dealt with the effect of the tariff upon Australia as a whole. We have limited the scope of our inquiries as much as

possible, and have avoided many important but subordinate issues. But the effects of the tariff upon different areas, and especially upon the States, are so important that a summary statement is called for.

"A Memorandum on the unequal effects between States was submitted by two of our members to the Royal Commission on the Constitution in August, 1928, and has been published in the Commission's Evidence. The estimates there made were very tentative and provisional. We have not been able to complete them satisfactorily, and we limit our discussion here to a conservative statement in somewhat general terms of the main effects.

"The unequal effects between States are probably the most embarrassing consequences of the tariff, but they have their roots in the unequal effects between industries, which are natural and inevitable consequences of tariff protection. Were Australia one small, compact economic unit, in which the benefits of protection were thoroughly diffused, in which one common tax system operated, and in which development expenditure was equally shared, difference between areas would be less important. But with our diverse geographical conditions and our Federal system of Government this is not the case.

"The distribution of Australian industries has been substantially modified by the tariff. Assistance to protected industries has been provided chiefly at the expense of the export industries. We have shown that these industries are retarded and that their land values have been curtailed. The costs imposed upon them have been borne chiefly in the country districts and in the outlying States, which are more naturally adapted for the export industries.

"The geographical differences between the States account for differences in aptitude, and the benefits of increased production have been transferred from areas and States having natural aptitudes for the protected industries. The tariff has, therefore, materially affected the relative prosperity of the different States.

"The established producers in these areas and States have undoubtedly been penalised by the tariff. From the point of view of the States themselves the consequences are not less important. Not only have the incomes of the established producers been curtailed, and therefore the taxation derived from land and incomes generally, but some production has been prevented, and the State revenue which would have been received from that production has been lost. This applies not only to tax revenue, but to revenue from various State services, and especially from railways. The cost of the tariff has prevented the full use of development utilities and the full response to State efforts to stimulate production. (The same influence hampers the efforts of the Commonwealth.)

"Further, the costs of these development enterprises, both for interest on capital and for working expenses, have been greatly inflated through the tariff, and that is discriminating against the relatively undeveloped States. This discrimination on this account is, however, probably not very considerable.

"The importance of these effects is entirely a question of their magnitude. If the total costs were small, or the States were more alike, the differences might be neglected. The various units of a Commonwealth cannot be expected to march together in any uniform order of prosperity.

But the different effects as between (say) Victoria and Tasmania, or between Queensland and Western Australia, are very marked.

“We have not been able to complete our inquiry into this question and arrive at any measure of the effect of this discrimination on State finances. But something may be said of the magnitude of some of the factors.

“The subsidies to production through the tariff are £36,000,000, which would average all round £6 per head of population. But if the £36,000,000 is distributed among States in proportion to the quantity of protected industry,* the amount per head will vary greatly from State to State, as shown approximately in the following table:—

Subsidies to Protected Production Per Head of Population in Each State.

					£
New South Wales	..	..	..	..	5.5
Victoria .. ..	..	..	..	..	7.0
Queensland .. ..	..	..	..	..	8.0
South Australia ..	..	..	..	..	3.7
Western Australia	..	..	..	..	3.6
Tasmania .. ..	..	..	..	..	4.0
Average .. ..	..	..	..	..	6.0

“These amounts are additions made to the income per head in each State, and no immediate deduction can be made as to the consequent effect on State revenue. But it is to be noticed that the subsidies to Victoria and Queensland are twice as great as those to Western Australia, South Australia and Tasmania.

“We next inquire in what proportion these subsidies are contributed by the different States in paying the excess prices of protected Australian products. We have found that these excess costs are born in the last resort partly by luxury expenditure and fixed incomes and protected production itself, but most of all by the export industries. Without attempting to give a full distribution of costs on these lines, we may say that the result is to make the burden per head of Victoria and Queensland, which have relatively small exports, much below the general average, with the other States above the average, and Western Australia particularly high.

“So it comes about that the same two States, Victoria and Queensland, both get the greatest increase to income per head and pay least per head for it; New South Wales is in a middle position; and the other three States both receive least and pay most, with Western Australia in a somewhat worse position than South Australia and Tasmania. It is to be noted that these three States are all claimants for special Commonwealth assistance.

“The effect on State revenue from these combined causes is obvious, though not easily measurable. Still more difficult to measure with our inadequate data is the probably more important effect of the loss of export production which would have taken place without the excess costs of the Tariff (Para. 4). This will depend, amongst other things, on the

* The salaries and wages paid are taken as measuring the relative quantities of protected manufacturing production. For primary production, rough actual values of the quantity of production are available for States.

varying degree to which the natural resources in each State would respond to a given decrease in production costs, a matter on which we have noted our ignorance in para. 134 of the Report. We will only say that the discriminating effect on the revenue of different States appears to be substantial on account of the causes considered both in this paragraph and the preceding one.

“It is natural that the harmful effects of the tariff should express themselves most acutely as difficulties of State finance. The effects are not felt directly by landowners, nor in the check to production. Land generally does not decline in value, nor does it go out of production. It merely fails to respond adequately to development expenditure, and insofar as State assistance succeeds in cancelling the tariff costs borne by the farmers, it does so at State expense. The State taxpayers are called upon to meet deficits on railways (the capital and working expenses of which are inflated because of the tariff), because tariff costs do not allow of freights being raised. The State finances, therefore, bear a substantial share of the tariff costs.

“The States which enjoy more than their proportional share of the benefits of protected industries may be able to afford this result. Their taxable capacity is increased through the protected industries established in their territories. But opposite results are experienced in the other States. Their taxable capacity is lowered so that their rates of taxation have to be increased; industry is further encouraged to concentrate in the more fortunate States, and the cumulative effects which follow intensify the inequalities created by the tariff itself. (In Appendix “W” to “The Australian Tariff—An Economic Inquiry,” 1929.)

CHAPTER 16.—THE TWO ECONOMIC UNITS OF AUSTRALIA.

The Clash between Economic Necessities and Political Aims.

525. Since Constitutions, like the Sabbath, are made for man and not man for the Constitution, it is relevant to discuss here in relation to the Australian communities certain facts which inevitably constitute the economic background of any Constitution-making, or reconstruction—⁽¹⁾“facts so fundamental that any plan for national government which does not shape itself to them must set up stresses between political and economic aims which cannot but retard development”; facts which reveal that there is no mystery whatever about the reason for Western Australia’s main disability under Federation as discussed in the preceding chapters of this division; and facts which make it equally obvious that Secession involves the constitutional reconstruction of Australia in greater harmony with its economic background.

526. The conditions of the problem are such that the geographic and economic circumstances of Australia should not merely be set forth in a string of facts more or less unconnected; but that they should be considered and examined in a coherent manner and with a due appreciation of the problems arising from cause and effect. Thus, the reason for omitting the contents of this chapter from the preliminary survey in Division One of this Case, and including them in this division, will be apparent.

“East is East, and West is West.”

527. In this chapter, therefore, are discussed the fundamental facts which demonstrate that from a physical and economic viewpoint (and consequently from a political viewpoint) the Continent of Australia is distinctly divisible into an Eastern Economic Unit and a Western Economic Unit; that, ⁽¹⁾“geo-

⁽¹⁾ Professor E. O. G. Shann: Constitution Commission, 1927; Minutes of Evidence, pp. 457-8.

graphically, the Australian communities consist of (a) a continental mass in the east and south-east, containing a very wide range of resources, and perhaps capable in the near future of a degree of self-sufficiency comparable to that attained by France or the United States; and (b) two insular areas, in Tasmania and Western Australia, unlikely, for various reasons, to develop the status of supplementary economics"; and that "Western Australia is like New Zealand in its insular detachment and its concentration upon primary production—only more so."

Contrast with America.

528. The Federal Constitution of Australia has been framed largely and somewhat slavishly upon that of the United States of America; but the American Constitution was primarily framed to meet the governmental requirements of the original thirteen States occupying a comparatively small and compact area on the Atlantic Coast. That the Federal Constitution of America may have worked tolerably well in its application over the United States of America as they are known to-day, is, it is submitted, due not so much to any inherent virtue in the Federal system, as to the physical features of the country itself. In that country, are to be found features which bring it into the strongest contrast with the continent of Australia, which has an area approximately equal to that of the United States. America has 26,000 miles of navigable streams. Well inland between the eastern and western coasts, the mighty Mississippi-Missouri, with a course of 1,700 miles to its mouth in the Gulf of Mexico, and with many large affluents, traverses the whole country from north to south. The valley of the Mississippi is particularly fertile, and has greatly influenced settlement. In that area, of which the great inland town of Chicago, with its population of millions, is the commercial centre, there lives a large proportion of the Nation's people; so that for many hundreds of miles inland there is a vast area of land rich in agricultural and industrial products and maintaining a huge population. These and other physical features of the country, particularly a much more even rainfall, tend to consolidate the economic circumstances of the United States of America. The United States of America consist of forty-eight States and one Federal District, with ⁽¹⁾ "the small

⁽¹⁾ W. A. Holman, K.C.: "The Australian Constitution," p. 71.

States threaded like beads on the lines of the East-West Railway systems." Moreover, many of the American States are unable to engage in overseas trade except through a port on the seaboard of some other State—a circumstance which tends still further to consolidate the economic unity of that nation.

Australia's Characteristic Physical Features.

529. A glance at the five maps of Australia—Topography, Rainfall, Population, Agricultural and Railway—contained in the appendices Nos. 49 to 53, inclusive, at the end of this chapter, reveal at a glance how vitally different is the position in Australia. In studying the map of Australia it is always well for one to bear in mind that he is examining an area of land little less than the size of Europe, including Russia.

530. According to Professor Griffith Taylor of the University of Sydney ⁽¹⁾ "*The characteristic feature of Australian topography is one of which most Australians know very little. It is the extremely large level area constituting most of Western Australia, Northern Territory and western South Australia. This is on the whole poorly supplied with rainfall, and in consequence has only a meagre population. But it comprises more than half of the continent and forms a single unit, which is best described as "The Great Australian Peneplain."*

Western Australia's Perpetual Isolation.

531. It is this vast area of arid land—this single unit—comprising more than one-half of the continent, which, for all practical purposes, isolates Western Australia from the Eastern States as effectively as if it were separated by sea; which is responsible for all those other natural circumstances which serve to emphasise in the clearest possible manner, the inevitable and perpetual separation of the Western Economic Unit (Western Australia) from the Eastern Economic Unit (the other contiguous States of the Continent). It is this natural barrier which gives Western Australia an economic outlook so different from that of the Eastern States, particularly the States of New South Wales and Victoria.

The Cultivable Lands of Australia.

532. The cultivable lands in Australia are confined to a comparatively narrow strip on the fringe of the Eastern and

(1) Commonwealth Year Book, No. 20, p. 75.

South-Eastern seaboard of the Continent, and another small area situated two thousand miles away in the South-Western corner. The latter area, *i.e.*, the South-Western area of Western Australia, although small by comparison with the area of the continent, nevertheless embraces some 100,000 square miles and is equal to the area of the United Kingdom.

533. This pronounced lack of geographic connection, coupled with the natural aptitude of the South-Eastern portion of the continent for protected industries, and the natural aptitude of the western portion of the continent for unprotected export industries, has given rise to an even more pronounced lack of balance in the distribution of the population, which serves in its turn to emphasise the absolute isolation of the people in Western Australia from the people in Eastern Australia and their consequential lack of community interest.

The Consequential Unequal Distribution of Population.

534. Australia has an area of three million square miles and a total population of approximately $6\frac{1}{2}$ millions. Of that total population, no less than two millions live in the highly industrialised centres of Melbourne and Sydney occupying an aggregate area of only 430 square miles. Of the remaining population of four and a half millions, nearly four million live in that Eastern Economic Unit of which the capitals of Sydney, Melbourne, Brisbane and Adelaide are the principal centres; and 227,000 persons live in the island of Tasmania. Sydney, Melbourne, Brisbane, Adelaide, and Hobart, the capitals of each of their respective States, are all located within a radius of 700 miles from the Federal Capital, Canberra. The remaining Australian population of 439,000 are situated more than two thousand miles away in Western Australia and (with the exception of about 39,000 scattered over the mining and pastoral areas in the northern and inland portions of the State) are to be found within a 400 miles radius from Perth—a fertile area having one of the most temperate climates in the world and a reasonable rainfall.

A Ten Days' Sea Journey.

535 It will be generally conceded that separated as she is from Sydney by 1,200 miles of sea—a four days' journey—the geographic and economic circumstances of New Zealand are such that it was in the interests of the Empire in general and New Zealand in particular that that Dominion (or Colony

as she then was) did not enter Federation, although at the time of Federation she was invited to join and the Commonwealth Constitution was framed to provide for her entry into Federation if New Zealand so desired. As the distance between Perth and Sydney, when travelling by the usual sea route is 2,450 miles, and, when travelling by railway, is 2,759 miles, and, as the major portion of the "Great Australian Peneplain" lies between, Western Australia is even more widely separated (*i.e.*, as far again) from Sydney, than is New Zealand. ⁽¹⁾ "Western Australia may be regarded as an economic island separated from the rest of Australia by a sea of solid ground."

536. The usual journey by sea from Fremantle to Sydney occupies ten days—approximately as long as the time occupied in travelling from London to New York and back. The English mail steamers do the journey from Fremantle to Sydney in eight days, but by reason of the Commonwealth Navigation Act the people of Western Australia are not permitted to travel from Fremantle to the Eastern ports in British ships. They must do the sea journey in an Australian ship. It is, of course, possible to travel across Australia by rail: on the Western Australian Government Railways to Kalgoorlie; thence on the Commonwealth Railway over the 1,051 miles of uninviting and comparatively unpopulated desert ⁽²⁾ to Port Augusta; thence to Sydney via Adelaide and Melbourne over the railway systems controlled by the State Governments of South Australia, Victoria, and New South Wales. By this means of travel the total distance is 2,759 miles and the time occupied is 4½ days. The Federal Capital, Canberra, is situated inland—a distance of some 200 miles from Sydney. This affords some idea of the great distances which Western Australia's representatives have to travel to the seat of the Federal Legislature; and of the amount of time spent by the Premier of the State in attending meetings of the Loan Council which has always held its meetings in one of the Eastern Capitals—sometimes upon notice insufficient to permit of the Premier of Western Australia reaching the meeting

(1) In giving evidence before the Disabilities Commission of 1925, Mr. E. H. Barker, General Secretary Australian Labour Party, W.A. Branch, said: "In some respects the State of Western Australia may be regarded as an economic island, separated from the rest of Australia by a sea of sand, somewhat in the same fashion that New Zealand is separated by a sea of water." (Q. 3874) Asked: "Is it correct to say there is a sea of sand between Western Australia and South Australia?" Mr. Barker replied: "I will say a sea of solid ground if you like." (Q. 3875).

(2) The Commonwealth Railway in all its length of 1,051 miles does not cross a single permanent stream of water.

before its conclusion. This also helps to explain why it is that Western Australia's special needs carry little weight in the Federal Legislature; why the Prime Minister of Australia, Mr. Lyons, had never set foot in Western Australia (why he had never seen any portion of this one-third of the whole continent) until the occasion of his visit to participate in the Secession Referendum Campaign in April, 1933. It helps to explain why Perth hardly ever sees a Prime Minister of Australia except when on his way to an Imperial Conference or some other oversea gathering—and then only for the few hours while the vessel by which he is travelling may happen to remain in port. As far as can be ascertained only on four occasions in the 33 years of Federation has an Australian Prime Minister made what might be called a real official visit to Western Australia. It helps also to explain why the Waterside Workers of Fremantle recently decided to withdraw from the Waterside Workers' Federation of Australia and thereafter to function as the Fremantle Lumpers' Union, having no connection with the Federal body. At the conclusion of an unsuccessful visit to Western Australia in an endeavour to prevail upon the Fremantle workers to remain within the Federal Union, the Secretary of the Federation said:—⁽¹⁾“It was difficult in a Federal organisation with several branches in existence to administer in such a manner as to satisfy the requirements of the various sections. The Fremantle branch from a geographical point of view was isolated from the other States, and more particularly from Melbourne, where the head office of the Federal Committee assembled.” The Printers' Union and Timber Workers' Union are other industrial organisations in Western Australia which in recent years have withdrawn from Federal organisations upon somewhat similar grounds.

The Difference in Outlook.

537. ⁽²⁾“A visitor to Australia who follows the usual route along the Southern and up the Eastern coast, will not fail to mark definite areas of political outlook, corresponding with these definite areas of economic activity; he will indeed be unusually strong-minded if his judgment upon Australian problems does not change considerably as he changes his geographical location. It is, moreover, paradoxically true

(1) “Daily News,” 28th September, 1933.

(2) Professor Hancock: “Australia,” p. 124.

that the pressure of the National Government has itself intensified some diversities; it has, for example, made the Western Australians more unlike the Easterners at least in their economic interests and ideas than they would otherwise have been."

538. Modern inventions, it has often been asserted, have annihilated distance. In a sense that may be so, but it has in no wise altered or diminished the fundamental differences between areas geographically and economically separated. This annihilation of distance neither weakens the facts established in this chapter nor offers a valid reason for the government of Western Australia from Canberra. It is true that one can now travel from Perth to Adelaide by air; that the telephone system enables the people of Western Australia to converse with the people of the Eastern States; and that the wonders of wireless permit them all to enjoy the blessing—not necessarily an unmixed blessing—of listening to an Australian-wide broadcasting programme; but in the same manner the journey from England to Australia by air has become a common occurrence and will become more common with the passage of time; the telephone system permits of conversations between residents of England and residents of Australia; and the pleasure and pride with which the people of Western Australia, in common with other parts of the Empire, "listened in" to the Christmas message from His Majesty to His people throughout the Empire will not be soon forgotten. Great as these events are, however, they have not been followed by any suggestion that the Empire could, on that account, be satisfactorily governed from Downing Street.

Summary.

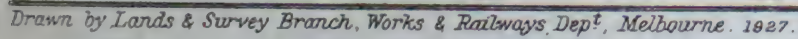
539. When all these various facts concerning Western Australia's geographical isolation and the conditions which follow as a natural corollary, are fully appreciated, there is no escape from the irresistible conclusion that it is a practical impossibility to give Western Australia a satisfactory place in any system having for its object the centralised government, either wholly or in part, of the continent of Australia. From the very nature of things, the government of Western Australia from Canberra is ruinous to Western Australia, and is, therefore, not in the best interests of Australia. A single tariff for the whole of Australia is one of the fundamental principles of Federation; but it is an utter

impossibility for the Commonwealth Government to frame a tariff that will meet the varying needs of the whole continent. Hence, the old adage that "one man's food is another man's poison" makes itself very evident in the requirements of Eastern Australia as the Eastern Economic Unit on the one hand and Western Australia as the Western Economic Unit on the other. Western Australia does not object to Eastern Australia building up its body economic by such means as that unit may prefer; what Western Australia does object to is that she should be compelled to submit to the means so preferred by Eastern Australia, when those means are to Western Australia so deleterious. Since, in the highest conception of nationhood a healthy and prosperous Western Australia is as of much importance to the other Australian States and to the Empire, as it is to the people of Western Australia itself, it follows that any opposition towards Western Australia's withdrawal from Federation could arise only from a disconcerting ignorance; ⁽¹⁾ or from the promptings of vested interests.

540. Incidentally, it might be gathered from what has been set forth in this and other chapters, that a satisfactory and beneficial and comprehensive solution to the existing disorders in the Australian system of government may well be found in the establishment of a unitary system of government for the Western Economic Unit (a necessary implication of Secession) and a similar single unitary system for the Eastern Economic Unit.

(1) See Report of Disabilities Commission: Statement by Commissioner Mills at para. 512.





PHYSICAL GEOGRAPHY

AUSTRALIA

Scale of Miles

1 inch = 100 miles
1 centimetre = 10 miles



SAFARI TOPOGRAPHIC STATINGS

ALABAMA

Scale of Miles

Legend
— Boundary — Railroad —
— Water —
— Towns —



COMMONWEALTH OF AUSTRALIA.
DEPARTMENT OF METEOROLOGY.
MELBOURNE.

THE ANNUAL RAINFALL MAP OF AUSTRALIA

REVISED TO 1921.

Prepared under the authority of the Hon. the Minister
of State for the Department of the Interior by

W. S. WATT,
Comptroller Meteorologist.
Melb., 1922.



Reference

0 to 10ins	
10 to 20ins	
20 to 30ins	
30 to 40ins	
40 to 50ins	
50 to 60ins	
60 to 70ins	
70 to 80ins	
80 to 90ins	
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690 to 700ins	
700 to 710ins	
710 to 720ins	
720 to 730ins	
730 to 740ins	
740 to 750ins	
750 to 760ins	
760 to 770ins	
770 to 780ins	
780 to 790ins	
790 to 800ins	
800 to 810ins	
810 to 820ins	
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860 to 870ins	
870 to 880ins	
880 to 890ins	
890 to 900ins	
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910 to 920ins	
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940 to 950ins	
950 to 960ins	
960 to 970ins	
970 to 980ins	
980 to 990ins	
990 to 1000ins	

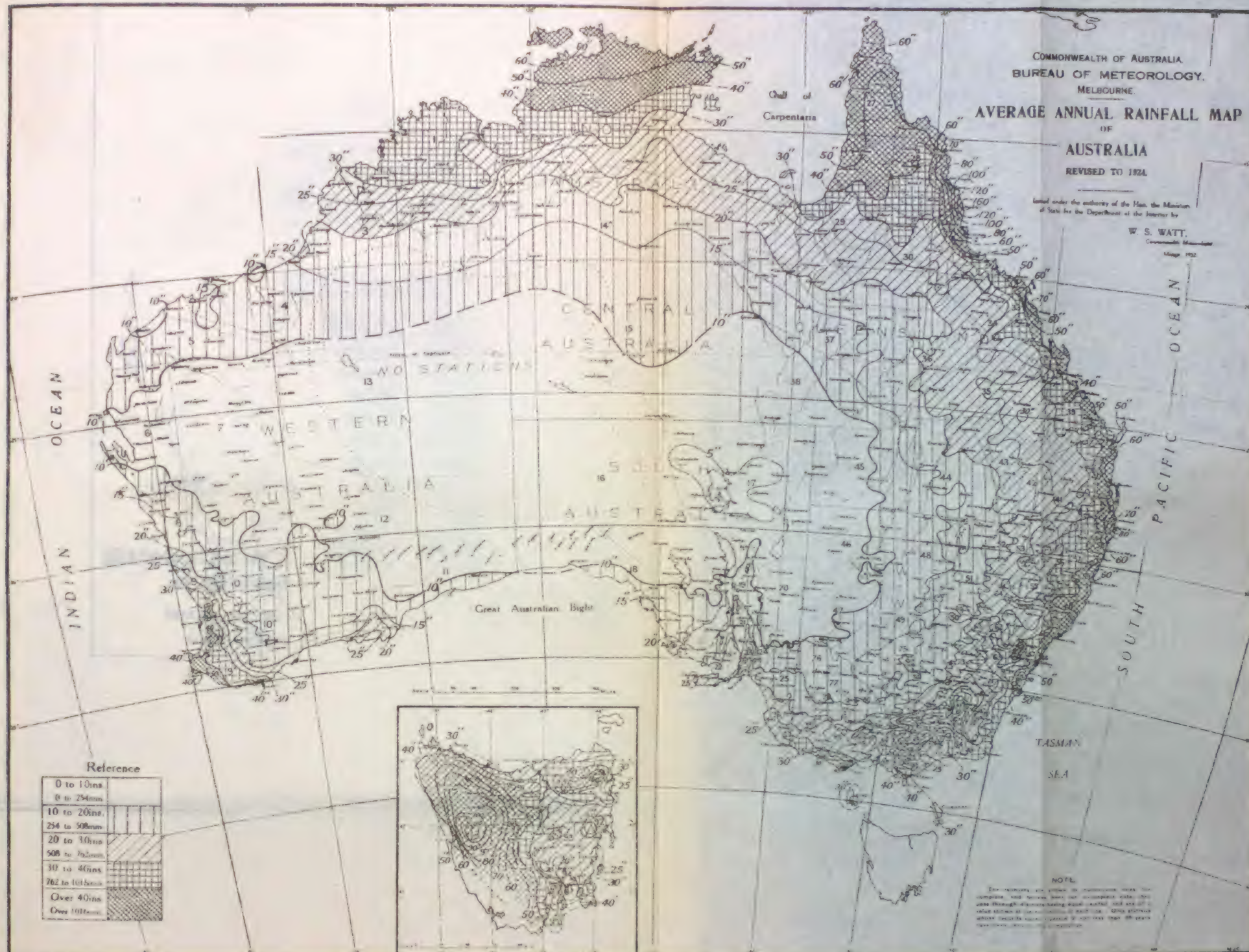
ASIAN
SEA

NOTE.

As shown on this map, the rainfall is based on the average of the rainfall for the years 1901 to 1920. The rainfall is shown in inches, and is the average of the rainfall for the years 1901 to 1920. The rainfall is shown in inches, and is the average of the rainfall for the years 1901 to 1920.

APPENDIX No. 50.

Reprinted from the Official Year Book of the Commonwealth, No. 25—1932.



E-028

2108275A

A South coast map of the island of Sumatra



NOTE.

is map is based upon the
lation as at the Census

It has not been possible
ecure a similar map in
et of the Census 1933, the
es of which are as fol-

**ULATION OF AUSTRA-
IA, 30th JUNE, 1933.**

	States and Territories.	Capital Cities.
V. ..	2,601,104	1,235,367
..	1,820,360	992,048
..	947,789	299,782
..	580,987	312,629
..	438,948	207,464
..	227,605	60,408
NT. ..	4,860	—
..	8,947	7,325
	<hr/> 6,630,600	<hr/> 3,115,023

***DISTRIBUTION OF
IN AUSTRAL***

Each Dot represents

SCALE OF MILES



APPENDIX No. 51.

Reprinted from the Official Year Book of the Commonwealth, No. 25—1932.

**NOTE.**

This map is based upon the population as at the Census 1921. It has not been possible to secure a similar map in respect of the Census 1933, the figures of which are as follows:—

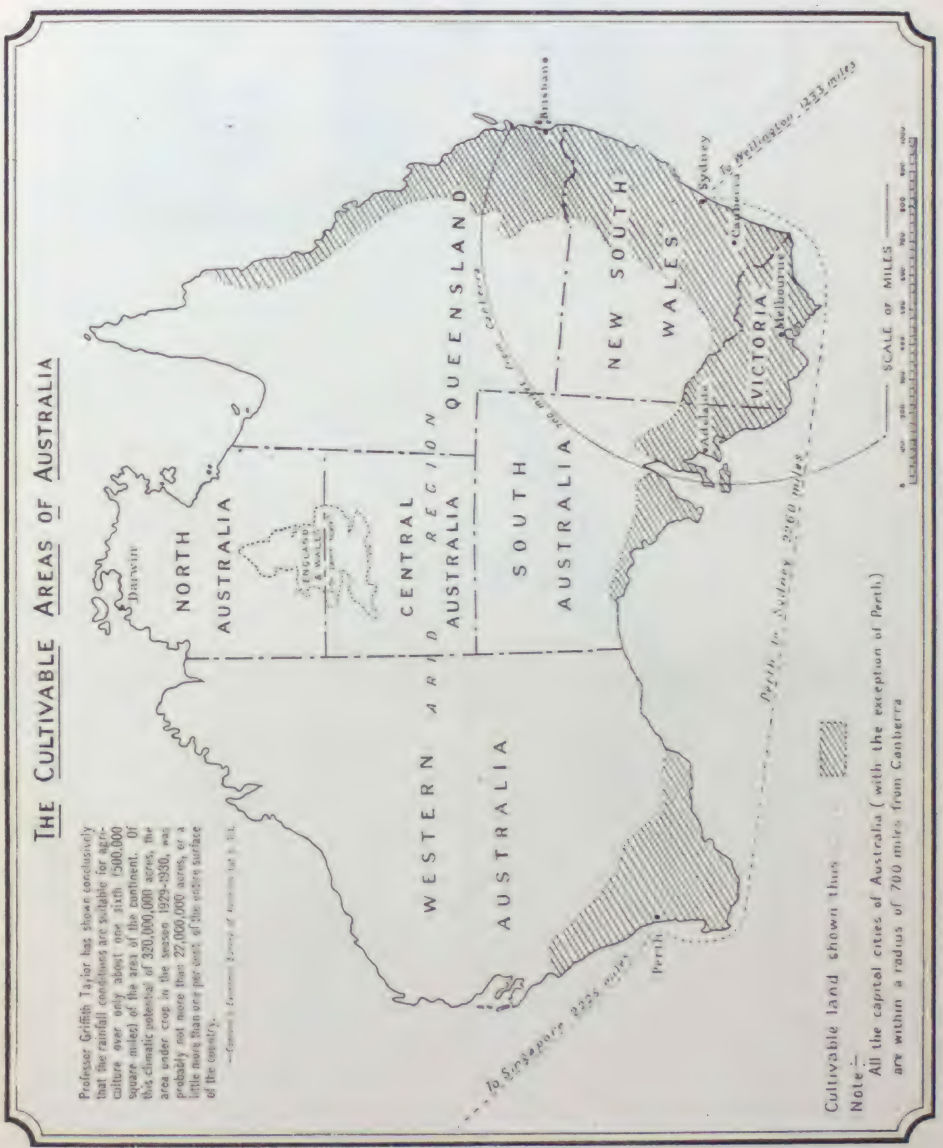
**POPULATION OF AUSTRALIA,
30th JUNE, 1933.**

	States and Territories.	Capital Cities.
N.S.W. ..	2,601,104	1,235,367
Vic. ..	1,820,360	992,048
Qld. ..	947,789	299,782
S.A. ..	580,987	312,629
W.A. ..	438,948	207,464
Tas. ..	227,605	60,408
N. Ter. ..	4,860	—
F.C.T. ..	8,947	7,325
	<hr/>	<hr/>
	6,630,600	3,115,023





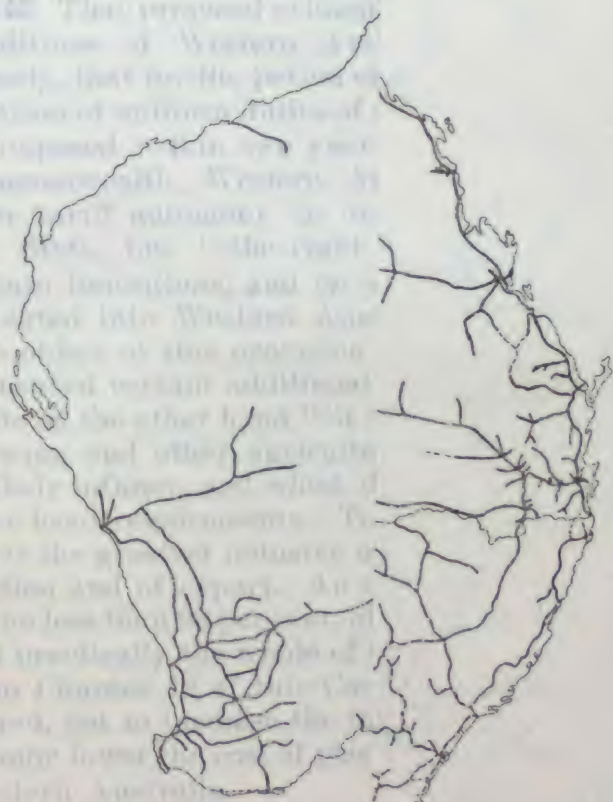
APPENDIX No. 52.



Lands and Surveys Department, Perth.

N.S.Wales	5870 Miles	5 Ft. 3 In. ———
Victoria	4515 "	4 Ft. 8½ In. ———
Queensland	6302 "	3 Ft. 6 In. ———
S. Australia	2528 "	2 Ft. 6 In. ———
W. Australia	3918 "	ways under
Tasmania	658 "	construction-----
Commonwealth	1733 "	

The Origin



GOVERNMENT RAIL IN AUSTRALIA

30-6-1927

SCALE OF MILES

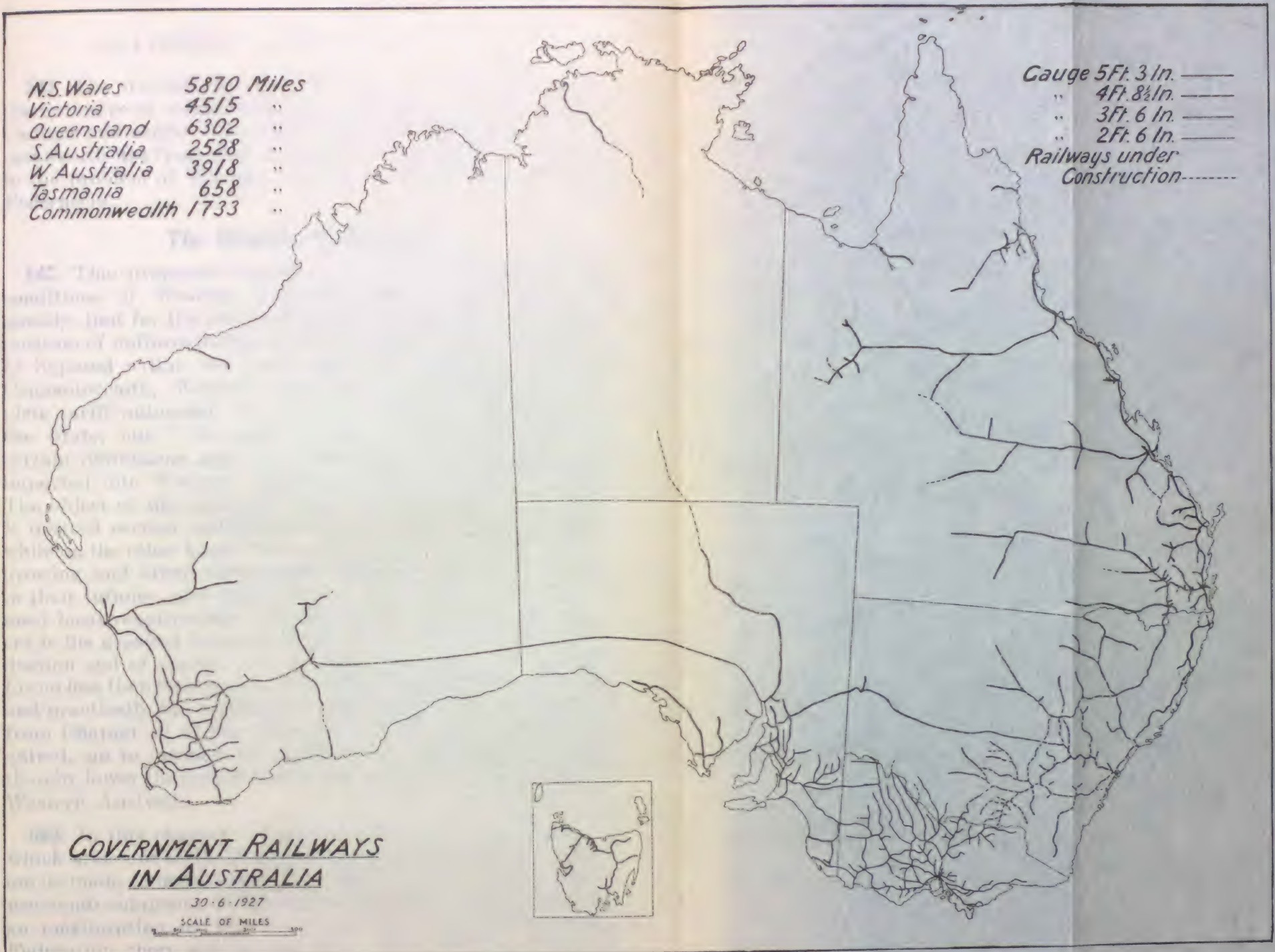
0 10 20 30 40 50 60 70 80 90 100

APPENDIX No. 53.

Reprinted from the Official Year Book of the Commonwealth, No. 25—1932.

N.S.Wales	5870 Miles
Victoria	4515 "
Queensland	6302 "
S. Australia	2528 "
W. Australia	3918 "
Tasmania	658 "
Commonwealth	1733 "

Gauge 5 Ft. 3 In. ———
 " 4 Ft. 8½ In. ———
 " 3 Ft. 6 In. ———
 " 2 Ft. 6 In. ———
 Railways under
 Construction - - - - -



5870 Miles	N.S. Wales
4515	Victoria
4305	Queensland
2554	South Australia
3914	Western Australia
451	Tasmania
1733	Commonwealth



GOVERNMENT RAILWAYS
IN AUSTRALIA
1914-15
MILES OF RAIL



CHAPTER 17.—TARIFF AUTONOMY.

541. The proposal that Western Australia should be granted the exclusive or conditional right to impose her own duties of customs and excise while still remaining a State of the Commonwealth has from time to time been advanced as a solution to the problem of Western Australia's chief disability under Federation.

The Original Arrangement.

542. That proposal evidently arose from one of the original conditions of Western Australia's entry into Federation, namely, that for the period of the first five years after the imposition of uniform duties of customs and excise, which had to be imposed within two years after the establishment of the Commonwealth, Western Australia should have, not complete tariff autonomy in respect of all importations into the State, but ⁽¹⁾the right to impose customs duties (with certain limitations, and on a diminishing scale) upon goods imported into Western Australia from the Eastern States. The object of this provision was two-fold. On the one hand it insured certain additional revenue to the State Treasury, while on the other hand ⁽²⁾it provided protection to the wheat-growing and other agricultural industries which were then in their infancy, and which did not even produce sufficient to meet local requirements. To-day, however, the wheat industry is the greatest industry of the State, both in point of production and of export. An overseas market has to be found for no less than 90 per cent. of the State's production of wheat, and practically the whole of its wool; and as may be gathered from Chapter 12 of this Case, local tariff control is now required, not to increase the tariff, but to reduce the tariff, and thereby lower the cost of production in the staple industries of Western Australia.

543. In this chapter, various questions and considerations which arise out of the proposal are examined, and an endeavour is made to demonstrate that while tariff autonomy might prove advantageous to the State treasury, or might result in an amelioration of the chief disability of the State under Federation, there are far too many other factors involved to

(1) The Constitution, Sec. 95.

(2) Chapter 3 of this Case.

hope for that measure of economic relief and that degree of self-government which is essential for the well-being of the people of Western Australia and her industries.

The Recommendation of 1925.

544. The suggestion of tariff autonomy for Western Australia appears to have first received authoritative indorsement by Mr. W. G. Higgs, Chairman of the Disabilities Commission of 1925, and that proposal constituted Commissioner Higgs' ⁽¹⁾major recommendation—a recommendation in which Commissioner Entwistle joined by way of a subsidiary proposal to his main recommendation of Secession. The remaining member of that Commission, Mr. Stephen Mills, Ex-Comptroller of Customs, dissented from this finding and the recommendation of tariff autonomy for Western Australia, therefore, became the basis for the majority report of that Commission.

545. In support of his recommendation, Mr. Higgs ⁽²⁾mentioned that there were some 57 separate Dominions, Colonies, Protectorates, and Dependencies within the British Empire which enjoyed control of their own customs tariff. Not one of the countries which he enumerated, however, was a State within a Federation. It is submitted that the facts and arguments adduced by Mr. Higgs in support of his finding in favour of tariff autonomy for the State within Federation, really established with much greater force the necessity for Western Australia to withdraw entirely from Federation in order to secure, among other things, an effective tariff autonomy. The reasons which prompted Commissioner Mills to dissent from the majority report of the Commission are set forth in full in Appendix No. 54 at the end of this chapter. "Without a provision for the imposition of a uniform tariff," he declared, "with its accompaniment of interstate free trade, the Commonwealth Constitution could not have come into being. That provision is the real economic focus of Federation."

Interdependent Factors.

546. Furthermore, there are many circumstances peculiar to Australia and to the Commonwealth Constitution, which would appear very definitely to preclude all hope of any ultimate

(1) Royal Commission's Report, para. 205.

(2) Royal Commission's Report, para. 195.

benefit to the State as a whole from the grant of tariff autonomy. Industrial matters, notably industrial arbitration or wage fixation, occupy an important place in Australian politics, and it has been explained in Chapter 4 how this power rests—if it can be said to rest anywhere at all—partly with the Commonwealth and partly with the State. The budget of the State Treasurer would still be liable to grave dislocation by an adverse award by the Commonwealth Arbitration Court in respect of the wages of employees of State railways or of other State instrumentalities. Decisions by the Loan Council or by Commonwealth authorities in respect of finance, exchange, bounties, State grants, navigation, quarantine, taxation, export control, and other matters under Commonwealth control might well nullify any advantages which might otherwise accrue from any grant of tariff autonomy to Western Australia (that State still remaining a constituent part of the Commonwealth), and the people of Western Australia have learned from actual experience under Federation that “the means to do ill deeds, makes ill deeds done.” The growing complexities of trade and commerce, and the interdependence of the tariff with so many other matters of outstanding importance, are such as to dispose of any argument that Western Australia’s disabilities under Federation can be removed merely by the grant of tariff autonomy.

Rejection by the Commonwealth.

547. So far, the examination of this question has proceeded upon the assumption that Western Australia would be granted tariff autonomy by the Commonwealth if the State so desired it; but there is absolutely no warrant for such an assumption. Indeed, the indications are all in the other direction. The re-arrangement would involve an alteration of the Constitution in the prescribed manner.⁽¹⁾ A heavy adverse vote in Victoria and New South Wales would be sufficient to prevent that alteration. As Commissioner Mills has pertinently observed, “Years of interstate free trade have brought into being large interests dependent upon the maintenance of that freedom.”⁽²⁾

548. In 1925 the Federal government of the day rejected the proposal of tariff autonomy for Western Australia. In the Federal House of Representatives, on the 15th September,

(1) Section 128.

(2) See appendix No. 54 at the end of this chapter.

1932, Mr. H. Gregory, M.H.R., member for Swan Division in Western Australia, moved the following resolution in favour of a mild form of tariff autonomy for the State:—

(1) "That in the opinion of this House it is desirable that legislation should be enacted to provide for the submission to the electors of a proposal to alter the Constitution with a view to enabling the Parliament to grant to the State of Western Australia the exclusive power of enacting laws relating to Customs and Excise within that State for a period of 25 years from the date of granting such power, provided that any such laws of such State shall not impose any duties of Customs or of Excise on goods produced or manufactured in any other State of the Commonwealth."

549. The report of the debate on the foregoing motion concludes with a paragraph as follows:—

(2) "The Prime Minister (Mr. Lyons) obtained the adjournment of the debate to October 6. As the matter now became Government business, he assured members that the discussion would not be unduly delayed."

550. The motion, however, was not again discussed in the House and Mr. Lyons in a memorandum to Mr. Gregory under date of the 22nd November, 1932, stated *inter alia*:—

(3) "I must point out to you that my Government could not see its way to support any motion embodying proposals of this character.

"In the circumstances, therefore, would you be good enough to consider whether any good purpose would be achieved by proceeding with the discussion of the motion."

Conclusion.

551. The conclusions, which must be drawn from a consideration of the proposal aforesaid are that there is little likelihood of carrying a referendum for the alteration of the Commonwealth Constitution in the manner desired; that there is less likelihood of the Federal Parliament passing the legislation necessary to permit of such a referendum being held; and that, even if either of these unlikely events did come to pass, the grant of tariff autonomy would not be of much real assistance to Western Australia as a State of the Commonwealth. Finally, the possibility of tariff autonomy and the benefits claimed therefor, was one of the principal reasons put forward by those opposed to Secession to induce the people of Western Australia to vote at the Secession referendum against Secession and in favour of a Constitutional Convention. The people of the State by their vote, however, indicated that they decline to regard the proposal as a satisfactory solution of their chief disability under Federation.

(1) and (2) "West Australian," 16th September, 1932.

(3) "West Australian," 23rd February, 1933.

APPENDIX No. 54.

ROYAL COMMISSION ON THE DISABILITIES OF WESTERN
AUSTRALIA UNDER FEDERATION, 1925.

RECOMMENDATION ON TARIFF AUTONOMY.

COMMISSIONER MILLS' REASONS FOR HIS DISSENT
THEREFROM.

Having observed *inter alia* that "From the point of view of the State Finances, it cannot be doubted that if the State were given the legislative authority of an independent dominion in respect of Customs and Excise Tariffs (and that is the proposal of the report) a large increase in total revenue, chiefly at the expense of the Commonwealth revenue, could be attained"; that "The value of overseas imports into Western Australia for the year 1923-24 was £6,662,729, and the net Commonwealth Customs revenue collected thereon, £1,162,195"; that "The Excise duties for the same year amounted to £593,590" (or a total of Customs and Excise duties of £1,755,785); that "Western Australia derives nearly half its importations of commodities from the other Australian States"; that "The value of goods transferred from those States to Western Australia during the year 1923-24 was £6,663,000, or practically the same value as the overseas imports"; that "Nearly all the goods obtained from the other States were of kinds which, if they had been imported direct from overseas, would have been dutiable, and it seems a reasonable assumption that if duty had been collected upon them at overseas rates, the amount so collected would have been about the same (the total value being almost identical) as that collected upon the overseas imports"; that "If then the State had been in control of its own tariff during the year 1923-24, and if that tariff had been a replica of the present Commonwealth tariff, the revenue of the State from this source would apparently have been about £3,500,000"; and that ". . . from the State Treasury point of view the change would be a welcome one," Commissioner Mills then proceeds as follows:—

"(Para. 510.) There would, however, be serious disadvantages. In the first place, it would probably be very difficult to determine with satisfaction to both Commonwealth and State the amount of contribution which Western Australia should make on account of Commonwealth expenses and services, from the cost of which the State is now exempt.

"(Para. 511.) A further drawback is that an immediate effect of the alteration of the Constitution would probably be to deprive some successful secondary industries of the State of an important part of their trade which now consists of exports to the Eastern States.

"(Para. 512.) A great constitutional change such as is proposed in the report cannot be discussed *in vacuo*. The pre-Federation status cannot be restored. Twenty-five years of interstate freetrade have brought into being large interests dependent upon the maintenance of that freedom of commercial intercourse, which the Constitution provides.

Interests of other States.

"(Para. 513.) (b) As to the disability of the proposal in the interests of the other States of the Commonwealth. From the point of view of other States such a change would probably be looked at differently, according to each State's financial and economic position, and perhaps according to the length of the term for which Western Australia was to have fiscal independence. One State at least, Tasmania, would probably be stimulated to press its own demand for a similar concession. The States in which manufacturing is most highly developed, and which have the greater part of the interstate trade with Western Australia, supplying to that State between £6,000,000 and £7,000,000 worth of goods annually, would not unnaturally regard the severance of Western Australia from the economic unity of the Commonwealth as unjustly barring against them a door which they had a right to regard as having been permanently opened to them by the Constitution.

"(Para. 514.) The present relatively small development of secondary industries within Western Australia is almost certainly due largely to its limited population, 366,000, and to the absence of any special natural advantages not possessed by other States. Its industrial progress would perhaps compare not unfavourably with that of other communities of similar numbers.

Interests of Federation.

"(Para. 515.) (c) From the point of view of the Federation as a whole, I am strongly of the opinion that to divorce Western Australia for a term of years from the fiscal union with the other States would be a mistake of the first magnitude.

"(Para. 516.) Throughout the half-century during which the question of Federation was discussed, the first great matter was that of interstate free trade. Without a provision for the imposition of a uniform tariff, with its accompaniment of interstate free trade, the Commonwealth Constitution could not have come into being. That provision is the real economic focus of the Federation. (Defence, a question of a different order, came later.) Every State, large and small, had held up to it as an inducement to enter Federation the enlarged market which the establishment of the Commonwealth would provide free of any Customs barriers.

"(Para. 517.) At present Western Australia presents the picture of a prosperous people and an imperfectly-filled State Treasury. With a Western Australian tariff operating against the rest of Australia and a Commonwealth tariff operating against Western Australia, the picture would probably be one of a less prosperous people and a fuller Treasury.

"(Para. 518.) The secondary industries of the State which are exporting to the Eastern States would find that part of their market closed.

"(Para. 519.) The secondary industries of other States which are exporting on a much greater scale to Western Australia, would find that part of their market closed.

"(Para. 520.) The provisions of the Constitution which insure interstate free trade are of central importance. To shake the belief in their permanence and in the safety of the interests which are built upon them would be both dangerous and unnecessary. The Constitution itself provides ample means whereby the transitory financial difficulties of Western Australia can be relieved without the immense dislocation which would be caused by the adoption of the proposal in the Report. The assistance now being given under those provisions should, as recommended elsewhere, be extended.

"(Para. 521.) For the above reasons it is, in my opinion, highly undesirable that the recommendation of the report, to the effect that Western Australia be given complete independence of the Commonwealth in all tariff matters, should be adopted."

CHAPTER 18.—THE FUTILITY OF A CONSTITUTIONAL CONVENTION.

552. It is a most significant fact that throughout the years during which the people of Western Australia were constantly making demands which ultimately resulted in a referendum being taken on the question of the withdrawal of the State from the Commonwealth, there was never at any time any statement of a public nature made by any individual or public body in Western Australia which expressed satisfaction with the relationship of the State of Western Australia and the Commonwealth. On the contrary, dissatisfaction with those relations has been State wide, even the opponents of Secession being dissatisfied.

553. Those people, who were opposed to the proposal that Western Australia withdraw from the Federation, acknowledged their dissatisfaction with the present position by offering an alternative proposal as a means of removing the evils of this State's disabilities, namely the holding of a convention equally representative of all the States for the purpose of reviewing the Constitution. The merits of such last mentioned proposal were fully explained to the electors by the Federal League, which was also supported by the Prime Minister of Australia (Mr. J. A. Lyons), the Right Honourable Mr. W. M. Hughes, P.C., the Right Honourable Senator Sir George Pearce, Senator Brennan, and a number of other prominent persons who journeyed 2,000 miles across the continent to support the alternative proposal. The views of these gentlemen were given prominence through the Press, by wireless broadcast, and from the public platform.

554. The rejection at the referendum of the proposal for a convention indicates that the people of Western Australia have no faith in the usefulness of such a convention. The review of the fate of proposals for a convention in previous years, which follows, shows that the people of Western Australia had good ground for doubt as to the probability of a convention being held, and, in the event of such a convention being held, as to whether it would be constituted in a man-

ner satisfactory to Western Australia, or as to whether its recommendations would be given effect to by the Federal Parliament. Furthermore, the people of Western Australia realised that no alteration of the Constitution could overcome the geographical isolation of Western Australia from eastern Australia.

555. On 1st December, 1921, the then Prime Minister, Mr. W. M. Hughes, moved in the House of Representatives the second reading of a Bill for "An Act to make provision for a National Convention for the purpose of a revision of the Constitution of the Commonwealth, for laying the proposals of the Convention before the Parliament and for other purposes in connection therewith." On 9th December, 1921, Mr. Hughes moved for the discharge of the said Bill and, in doing so, stated that at the earliest possible moment in the following session the Government would bring down such amendments to the Constitution as were deemed desirable. No further move was made in the matter.

556. On 5th October, 1925, the then Prime Minister (Mr. S. M. Bruce) announced in his policy speech at Dandenong, Victoria, that his Government considered a constitutional convention was impracticable, and had rejected it, and proposed to ask the Commonwealth Parliament to undertake the great task of reviewing the Constitution. The Commonwealth Parliament was never requested to revise the Constitution.

557. The Royal Commission on the Commonwealth Constitution, 1927-9 reported at page 269 of its report as follows:—"We do not recommend that provision be made in the Constitution for the holding of a Convention to consider and frame proposals for the alteration of the Constitution, whether the proposals are to be submitted as recommendations to Parliament or direct to the electors." On 13th April, 1931, when speaking at the Melbourne Town Hall, Mr. J. A. Lyons, M.H.R., shortly after his resignation from the Scullin Government, stated that if he and his colleagues assumed office, one of their first acts would be to call a convention for the purpose of reviewing the Constitution. Mr. Lyons was re-elected at the subsequent general election and as Prime Minister in the new Government reiterated his pre-election promise of a convention when speaking in the Theatre Royal, Perth, on April 5th, 1933. Following the referendum on Secession he submitted to a Premiers' Conference held at Melbourne on 8th June, 1933, his Government's proposal for a

Convention. The constitution of the Convention as proposed, namely three representatives from each of the six States, and 18 representatives from the Commonwealth, was of such an astounding nature as to cause its immediate rejection by the State premiers.

The Prime Minister's admissions of the impracticability of a Convention.

558. No better illustration could be given of the impracticability of a National Convention as a solution to Western Australia's disabilities than the remarks made by the Prime Minister, Mr. Lyons, when submitting the said proposal to the said Premiers' Conference. The Prime Minister introduced the matter to the conference by drawing attention to the Federal Constitution, which he explained could only be altered by pursuing the means outlined in Section 128 of that Constitution. The section referred to provides for making amendments to the Constitution by the passing of proposals by an absolute majority in each House (subject to special provisions for disagreement between the Houses) with subsequent approval by the people at a referendum. Mr. Lyons further pointed out that at this referendum it was necessary under Section 128 to obtain a majority of all the people voting and also a majority in at least four of the States. After the Prime Minister had invited special attention to the words which appear in Section 128 as follows: "This Constitution shall not be altered except in the following manner," he proceeded: "It is clear that a Convention cannot be used as an actual means of amending the Constitution, although a Convention may make recommendations for the consideration of the Federal Parliament and, if the Federal Parliament approved, for subsequent submission to the people. A great deal of misunderstanding exists because the Constitution was originally framed by a Convention. The principal federation Conventions were elected under State laws and their deliberations resulted only in proposals, which were afterwards submitted to referendum in the several States. Even these referendums did not create the Constitution. The Constitution was created by the statute of the Imperial Parliament.

"It has been suggested in some quarters that the present method of amending the Constitution should itself be amended so as to provide for amendments being made by a Convention.

“This proposal does not appear to the Commonwealth Government to be practicable. If it were adopted, there would inevitably be a great deal of delay before anything could be done in the way of actual amendment of the Constitution. There are also quite serious difficulties in the way of amending Section 128. It is probable that it would be held that an amendment of Section 128 would have to be adopted by majorities in all States of the Commonwealth, instead of in the majority of the States.”

Means of Constituting a Convention.

559. The Prime Minister then proceeded, as follows:—“I propose, therefore, to consider the method of establishing a Convention for the purpose of making recommendations as to the amendment of the Constitution, as distinct from a Convention for actually making amendments to the Constitution. Such a Convention must either be elected by the people or nominated by Governments. In the opinion of the Attorney-General, the Commonwealth Parliament has no power to pass a law for the election of such a Convention.

“The Constitution provides not only a specific method of amendment but also that no other method of amendment shall be adopted. There is no express power to legislate for the election of a Convention, so as either to compel electors to vote or to impose the ordinary penalties upon them for personation, double-voting, etc. In the opinion of the Attorney-General, there is no implied power to legislate in this manner. It has already been held, both in the High Court and the Privy Council, that the Commonwealth Parliament has no power to legislate for the appointment of a Royal Commission to make inquiries into subjects which are relevant only to potential amendments of the Constitution. The application of this principle to any law providing for the election of the convention under Federal law would result in the law being declared invalid. It should also be remembered that, from a political point of view, a Convention elected under Federal law would not be satisfactory unless the States approved the terms of the Federal law which determined the character of the Convention. The Parliaments of the States could, in the Government’s opinion, pass valid laws for the election of a Convention to consider amendments of the Constitution. These laws could not confer any powers upon the Convention, but they could make the ordinary electoral provisions to bring about the choice of members.”

Difficulties of Election.

Continuing, the Prime Minister said:—"Difficulties which would arise if the States were to legislate for the election of a convention include:—(a) The necessity for identical legislation in six States and the difficulty of the States agreeing upon the terms of such legislation; (b) representation of the Commonwealth upon the Convention and the election of any members as representing the Commonwealth; (c) the very considerable expense involved; (d) the political disturbance incidental to the holding of elections for this purpose throughout Australia; (e) the futility which would be alleged to characterise the proceedings as it became recognised that the Convention could not make amendments of the Constitution, but could only recommend amendments for the consideration of the Federal Parliament. These considerations point to the conclusion that the Convention ought to be nominated rather than elected."

A Nominated Body.

560. The Prime Minister then went on to say:—"In a nominated Convention, it should be possible to represent in an effective manner the political knowledge and administrative experience of the Commonwealth and States. The members of the Convention would not be writing upon a clean sheet of paper. The Constitution has been in existence for over 30 years and has been interpreted and applied during the whole of that period. A Convention which did not contain real political and legal knowledge would be liable to get into serious difficulties. The Commonwealth Government, therefore, invites the Governments of the States to consider the desirability of the constitution of a nominated Convention.

"We suggest the following as the constitution of the Convention:—Three representatives from each of the States, one member in each case to be selected to represent the opposition. This would give 18 representatives. We suggest also that the Commonwealth should have 18 representatives.

"It is suggested for your consideration that the powers of Convention should be:—(1) To settle rules for its own procedure; (2) to make recommendations to the Commonwealth Government for the amendment of the Constitution."

561. This proposal, as outlined by Mr. Lyons in the words quoted above, was rejected by a majority of the States' representatives.

562. The impracticability of a Constitutional Convention as an alternative to the State's withdrawal from the Commonwealth is thus readily apparent, and proves convincingly that the people of Western Australia were justified in rejecting the proposal. ⁽¹⁾ "The Commonwealth in the first place, is not satisfied with being first among equals, it aims at being equal to the whole of its equals." Moreover, it must be emphasised that, if this astonishing proposal had been accepted by the representatives of the various States and the Convention nominated and held, its recommendations could only be referred to the Federal Parliament for its decision thereon. The fate of the recommendations of duly appointed bodies of an Imperial, Federal and State character particularly mentioned in Chapter 15 of this Case, justifies an assumption that the Federal government would take little heed of the recommendations of a National Convention if those recommendations were not congenial to that government.

563. It is evident, therefore, that a National Convention offers no solution of Western Australia's disabilities under Federation. In the first place, it is admitted by the Prime Minister himself, and he is strongly supported by the Federal Attorney General (Mr. Latham, K.C.), that a National Convention cannot make alterations in the Constitution; and, in the second place, even if it could, a mere alteration of the Constitution would not necessarily alter the fiscal policy of the Commonwealth, which bears so heavily upon Western Australia. There is one outlet, and one only, for the State, and that outlet is discussed in the next chapter of this Case.

(1) "West Australian," Editorial, June 8th, 1933.

CHAPTER 19.—THE ONLY REMEDY—SECESSION.

564. It has been established in previous chapters in this Case that Western Australia has suffered and is suffering many disabilities under the present Constitution in common with all the other States of the Commonwealth; and it has also been established that Western Australia, unlike the other States, is also suffering other disabilities under Federation due partly to her geographical isolation from Eastern Australia, partly to the fundamental requirements of the Constitution that there shall be uniform Commonwealth duties of customs and excise and free trade between the States, and partly to the Commonwealth policy of high protection.

565. In the next chapter of this Case it will be shown that the people of Western Australia almost immediately after the establishment of the Commonwealth began to realise the disabilities of the State as a part of the Federation, and that their dissatisfaction with Federation increased steadily with the passage of years until ultimately it developed into an organised movement for Secession.

566. It must not be supposed, however, that the advocates and supporters of Secession for Western Australia have not examined seriously the means by which Western Australia's serious and unsatisfactory condition under Federation may be corrected and remedied; and that they have decided that Secession from the Commonwealth is the only effective remedy without having good grounds for their decision.

567. As shown in Chapter 8 of this Case, it has been contended by reliable authorities in Eastern Australia that in Australia Federation as a system has failed, and those authorities have advocated a system of unitary government as an alternative. On the other hand, other authorities acknowledging the failings of the present Federal system have advocated amendments of the Constitution.

568. Those authorities, however, with Mr. Entwistle as a notable exception, have shirked the responsibility of advocating Secession as the means, so far as Western Australia

with her peculiar disabilities under the Federation is concerned, of overcoming the evil effects and consequences of Federation upon the individual States, although, in respect of Western Australia's disabilities, it was acknowledged by Mr. Ashworth, a Member of the Royal Commission on the Constitution, that "The hindrance may be inherent in Federation itself, and it may be that the only remedy would be Secession."

The Alternatives.

569. It can be said, therefore, that the only methods which have been, and can be, examined as a means of overcoming the disabilities which are being suffered by Western Australia under Federation are:—

- a. A monetary grant by the Commonwealth to the State.
- b. A very drastic reversal of the Commonwealth policy of high protection.
- c. An amendment to the Commonwealth Constitution.
- d. Unification, which connotes the constitution of a unitary form of government for the whole of Australia, and the loss of their distinct legal entity by the several States; and
- e. Secession, which connotes the withdrawal of the State from the Federation, and its restoration to the status of a separate and distinct self-governing community within the Empire.

A Monetary Grant.

570. A monetary grant cannot remove Western Australia's disabilities. This has been so conclusively proved in Chapters 5 and 12 of this Case, that it would be superfluous to prolong any further examination in this direction. The suggestion of a monetary grant by the Commonwealth must be definitely rejected because it offers no effective means of removing Western Australia's disabilities under Federation.

A Reversal of the Policy of High Protection.

571. A very drastic reversal of the fiscal policy of the Commonwealth might well lessen the main disabilities, but even then no improvement could be looked for in the secondary industries of the State; and in any event it is clear from what

has been set forth in Chapter 11 of this Case that there is not the slightest possibility of any departure by the Commonwealth from the established national policy of high protection.

An Amendment of the Constitution.

572. Alternative (c), namely, the alteration of the Constitution, next presents itself for examination. It has been suggested from time to time that necessary amendments of the Constitution can best be considered, examined, and recommended by a Convention convened and representative of, the Commonwealth and all the States. In Chapter 18 of this Case the futility of any such Convention as a means of effectuating amendments in the Constitution has been demonstrated. The Hon. Norbert Keenan, K.C., M.L.A., Leader of the National Party in the Legislative Assembly, when speaking on the matter of a Constitutional Convention as a proposed alternative to Secession, made this clear when he said: "As for the suggested Convention, which is to cure all this, if the situation were not so tragic, it might well serve to amuse us in the passing hour. The Convention is to consist of an equal number of representatives of each State. Who can call this Convention together? Only the Federal Parliament. Is there a million to one chance of New South Wales, Victoria, or even Queensland consenting to meet Tasmania or Western Australia on a basis of equal representation. Of course there is not. But if the impossible happened, and such a Convention were called and met, is there a million to one chance of any resolution being carried at such a Convention against the settled policy of high protection? Of course there is not. But if again the impossible happened, and such a resolution were carried, is there a million to one chance that the House of Representatives would give effect to it? Of course there is not. The most cursory inquiry will reveal that the whole suggestion reeks with the impossible."⁽¹⁾

573. It should be realised, of course, that measures for the alteration of the Constitution can be, and previously have been, initiated without the aid of a national convention.

574. It is proposed, therefore, in this chapter to show that no amendments to the Constitution can be made (either with or without the aid of a convention) which will preserve the fundamental principles of the Constitution, and, at the same time, will remove the disabilities under Federation peculiar to Western Australia.

⁽¹⁾ "West Australian," 24th January, 1933.

575. The disabilities under Federation suffered by the State can be divided into two classes, namely :—

1. Disabilities suffered in common with all the other States; and
2. Disabilities peculiarly suffered by Western Australia.

576. The first class of disabilities above-mentioned for the most part has arisen out of the unlimited and unrestricted exercise by the Commonwealth of its taxing powers and spending powers, which have had such a serious effect upon the finances of the States. These disabilities do not go to the root of the Federation, and in theory are capable of being removed by an amendment of the Constitution. The Commonwealth Government, however, has always opposed any interference with its taxing and spending powers, and even now at the time of writing this chapter, the present Commonwealth Government has definitely intimated to the Premiers' Conference sitting at Melbourne, that it will not support, but in fact, opposes any amendment of the Constitution calculated to impose any restriction on the powers of the Commonwealth.⁽¹⁾ Inasmuch as any proposed constitutional amendment must be initiated by the introduction of a Bill in the Commonwealth Parliament, it will be obvious that in practice any proposed amendment of the Constitution, which is resisted by the Commonwealth Government, has no prospect of becoming law.

577. The second class of disabilities, namely, those peculiar to Western Australia, are in their nature entirely different from any of the others mentioned. Ignoring, for the purposes of this examination, the disabilities which have been enumerated in Chapter 9 of this Case, these disabilities peculiar to Western Australia arise immediately out of the two fundamentals of the Federation, namely, (a) the requirement of the Constitution that the Commonwealth shall impose uniform duties of customs and excise without any discrimination between the States, and (b) the requirement of the Constitution that trade and intercourse

(1) In the "Daily News" of 27th February, 1934, appears the following Press message :—

"The present conference was convened by the Commonwealth following the rejection last June of the idea of the Federal Attorney-General (Mr. Latham) for a constitutional convention. Though it was called for the special purpose of constitutional reform, the Federal Government not only failed to present any policy of value to the States, but took an attitude of uncompromising hostility to any amendment of the Constitution likely to destroy Commonwealth domination."

between the States shall be absolutely free, and also, out of the settled fiscal policy of high protection definitely established by the Commonwealth; mediately, they arise out of Western Australia's geographic isolation. It will be realised, therefore, that these disabilities definitely go to the root of the Federation, and are the direct outcome of Federalism and of established Federal policy. Neither in theory nor in practice, therefore, can these disabilities be removed by an amendment of the Constitution. That they exist and are serious, and are peculiar to Western Australia, is self-evident from the facts which have been set forth elsewhere in this Case (particularly in Chapter 12) and from the authoritative opinions which are contained in Chapter 15 of this Case. The Commonwealth Government, as explained in Chapter 5, has made many special money grants as a partial relief against such disabilities; but there has never been any indication by the Commonwealth Government of any willingness on its part to try to remove or lessen those disabilities by an amendment of the Constitution. On the contrary, it has been shown in Chapter 17 that the Commonwealth Government has indicated its definite objection to the one constitutional amendment most likely to mitigate the ill effects of Federation, namely, an amendment of the Constitution granting tariff autonomy to Western Australia. This attitude on the part of the Commonwealth is readily understandable when it is appreciated that that amendment would necessitate the destruction of two fundamentals of the Federation. These two fundamentals and the said Commonwealth fiscal policy suit the conditions of Eastern Australia, and work for the advantage of the Eastern economic unit. Eastern Australia, therefore, needs and wants those constitutional conditions, which are injuring Western Australia, and which, therefore, Western Australia does not want. Any amendment of the Constitution, which would destroy those conditions and thus injure Eastern Australia, would be strenuously opposed, not only by the Commonwealth Government, but also by the people of Eastern Australia, and with such opposition, and particularly with the opposition in the Commonwealth Parliament from the Eastern States representatives, the fate of any such amendment would be sealed at the very outset. On the other hand, Secession as a method of removing Western Australia's peculiar disabilities provides a means by which Western Australia can obtain relief whilst leaving the present Constitution intact for the benefit of the rest of Australia, and without inflicting on the rest of Australia any

injury such as might be inflicted upon it if the Constitution were amended so as to keep Western Australia within the Federation but relieved of its disabilities.

578. This, then, leaves Western Australia with the choice of but two alternatives, namely, Unification or Secession.

Unification.

579. In approaching the question of Unification as a possible remedy for Western Australia's disabilities under Federation, it may be remarked that Unification could only be brought about constitutionally if it were favoured by all the States of the Commonwealth; but there is no conclusive proof that all or any of the other States are ready for unification. For all practical purposes, however, the same result could be achieved by Western Australia surrendering its individuality as a State and being absorbed as Commonwealth Territory under an agreement with the Commonwealth Government. For purposes of convenience, the term "Unification" is hereafter used to cover both these methods. Unification would not remove Western Australia's geographic isolation; it could not bring about any alteration of the Commonwealth fiscal policy or any release from that policy; it would afford Western Australia no relief whatever from its existing political, financial and economic subjugation to Eastern Australia. This has been made very clear in other chapters of this Case. Indeed, it is the very tendency towards unification which has served to aggravate the disabilities of Western Australia under Federation; an account of the "practical unification of Australian finance" has already been given in Chapter 5 of this Case; and this general tendency towards unification is made very clear from the following declaration, which was subscribed to by five Premiers at the Premiers' Conference held in February, 1934, and which prompted the Prime Minister's announcement of the Commonwealth's refusal to agree to the constitutional amendments as desired:—

(1) "We agree that unless unification is to be adopted as the ultimate goal, amendment of the Constitution is necessary to put the State Governments in a permanently stable position. Such amendment should secure to the States, financial resources adequate to the proper discharge of their constitutional functions."

580. From whatever angle the question be approached, it ultimately reverts to, and turns upon, the lack of geographic

(1) "West Australian," 27th February, 1934.

connection between Eastern Australia and Western Australia; it leaves no escape from the truism contained in the Indian Statutory Report that "if self-government is to be a reality it must be applied to political units of a suitable size after taking all relevant considerations into consideration." "Unification means ruin," declared the Premier of Western Australia in 1928, "this enormous country cannot be governed from a political centre by men almost entirely ignorant of conditions in the far corners of the land."

581. On these grounds, therefore, unification must be definitely rejected.

582. Moreover, even if unification offered prospects of financial and economic advantages to the people of Western Australia, it is most unlikely that they would favour it even under those circumstances—they would not lightly surrender that distinctive individuality of which they are so proud, and which has earned and enjoys respect and admiration far beyond the boundaries of this State.

Secession.

583. Secession, therefore, is the only remedy; and there is no other effective remedy. It is a remedy which cannot inflict any direct or indirect injury upon the States in Eastern Australia, and therefore the preference of Secession before constitutional amendments (e.g., tariff autonomy) or unification must be obvious even so far as Eastern Australia is concerned. Later chapters in this Case will establish that Secession as a solution will almost certainly benefit not only Western Australia but also Australia as a whole.

584. If any corroboration be necessary, it can be found in the considered opinion of Mr. Entwistle, one of the Commissioners on the Disabilities Commission of 1925, referred to in other chapters of this Case, that Secession is the only complete remedy for Western Australia's disabilities under Federation. That opinion was expressed in 1925, but the growth of the movement for Secession since proves that subsequent experience establishes the correctness of that opinion.

585. The people of Western Australia have not lightly decided in favour of Secession. As the next chapter will show, it has taken them many years to reach that decision. They have now come to realise that a speedy remedy is necessary to preserve the economic stability of the State; they desire that

something shall be done, they cannot any longer be put off by promises or excuses. The attitude of the advocates and supporters of Secession in Western Australia is aptly expressed in the following words of the Hon. Norbert Keenan, K.C., M.L.A.: "We stand foursquare to save the industries of the State and the people of the State from certain bankruptcy. We stand foursquare for the right of this State and the people of this State to continue to work out the destiny God has given them, and man robbed from them."⁽¹⁾

(1) "West Australian," 24th January, 1933.

CHAPTER 20—THE SECESSION MOVEMENT.

586. The great strength of the movement for Secession may be said to have developed from two causes. Firstly, it is essentially a movement which concentrates the irresistible forces which are roused in any community by an appeal to national dignity and national pride—forces whose power in any British community is materially reinforced when based, as in this case, upon a demand for British freedom and British justice. A rugged individuality of their own, and a sincere loyalty to the British Crown and Throne are outstanding characteristics which Western Australians have inherited from pre-Federal days. Secondly, the gradualness of the growth of the Secession movement has increased its intensity and insured its permanence.

587. Before proceeding to outline the growth of the Secession movement it is necessary for a proper appreciation thereof that certain aspects of the general question of the formation and the force of public opinion in Western Australia should be described.

Public Opinion in Western Australia.

588. As a country, whose population is 98 per cent. British, whose people have inherited the British love of democratic self-government and who believe in no other principle of government than "Government by consent of the governed," Western Australia possesses a highly developed political consciousness in its people. They have an outlook not bound by precedent, and a courage and resource which is illimitable. In their desire for political freedom and in their democratic ideas, they have outstripped in some directions the Motherland itself. Perhaps in no other country in the world have industrial questions entered so largely into its political spheres as in Australia; and this may be advanced as one reason why all sections of the community evince the keenest interest in politics generally. They treat their elected

representatives strictly as instruments for enforcing the views of their constituents. So far as Western Australia is concerned, this is not quite so pronounced in Federal politics since the people of this State realise that their representatives are always overwhelmed by the greater numbers of the Eastern States representatives, whose constituents are equally emphatic that the members whom they return shall enforce their views, and above all maintain intact or increase that tariff wall which tends so effectively to place Australia in economic quarantine.

589. It may be mentioned here that in Western Australia a knowledge of the effects of Commonwealth protection and interstate free trade is by no means limited to a few interested capitalists on the one hand or fewer disinterested Professors of Economics on the other. The wharf labourer realises that the restriction of overseas trade involves a corresponding restriction in his opportunity of securing employment; the motorist knows that the cost of his car and equipment is heavily loaded by the tariff; the factory employees are aware that dumping by Eastern States manufacturers deprives them of earning a livelihood in Western Australia; while the wheat-growers, and other agriculturists, and the pastoralists can, with each hour of the day, quote fresh instances of the manner in which they are exploited through the tariff. In Western Australia there is no misunderstanding as to the effect of the sugar embargo which has been imposed for the benefit of the Queensland growers; the housewife knows that she is required to pay 4d. per lb. for sugar, which could otherwise be purchased for 2d.; the jam manufacturer bitterly resents the crippling effect of the embargo upon his industry; and the fruit-grower is equally resentful that it should thus deprive him of the natural outlet for his production. The people of Western Australia are well aware that although Australia's inflexible national policy of protection has some compensating advantages, those advantages accrue not to the people of Western Australia, but to the people located two thousand miles away on the eastern fringe of the continent.

The Force of Public Opinion.

590. Political thought and influence extend throughout the length and breadth of the State. Unquestionably, public opinion is the power which affects and controls the course of government in Western Australia. The Press, the platform,

and wireless broadcasting are the instruments employed to assist in moulding public opinion, but a discriminating public prefers to study the facts for itself, and the actual formation of public opinion may generally be said to evolve not from the blind acceptance of a lead from its public men, but rather from an aggregation of the personal decision of the individuals themselves upon a more or less general knowledge of the facts.

The Political Parties.

591. There are three political parties in Western Australia, the Labour Party, which at present occupies the Treasury Benches, the Country Party, which is the official Opposition, and the National Party, which occupies the Opposition Cross Benches. The relations between these various parties are characterised by an absence of those acerbities which unfortunately have been evidenced in the conduct of other Parliaments in Australia. Despite natural differences upon minor questions and in respect of industrial matters, all these parties have one thing in common, that is to say, successive administrations have had faith in the ability of Western Australia to become a great primary producing State and have been prepared to offer inducements to intending settlers to take up the land; and generally to pursue a vigorous policy for the development of the State by the exploitation of its natural resources.

The Secession Referendum Resolution of 1906.

592. In Chapter 3 of this Case an account has been given of the manner in which the settled population of Western Australia made an unwilling entry into Federation—⁽¹⁾of the “historical accident into which the Western Australian leaders were pushed and cajoled by two forces of external origin.”

593. The failure of Federation so far as Western Australia was concerned, became very evident within a few years after the union. In the Governor’s Speech at the opening of the Second Session of the Sixth Parliament of Western Australia on the 21st June, 1906, there appeared the following paragraphs:—

(2) “At the recent Conference of the Premiers of the various States, a resolution was adopted in connection with the return of the Commonwealth Surplus Revenue on a population basis, which if carried into effect, would mean a loss to this State of approximately £433,000 for this year.

(1) Professor Shann. Appendix No. 59 at the end of this chapter.

(2) W.A. Parliamentary Debates, 1906, Vol. XXIX., p. 4.

"Such a course would be a distinct violation of one of the fundamental principles of the Commonwealth Constitution, and would deprive this State of its legitimate revenue after contributing its quota to the cost of the Commonwealth administration. My Government, while jealously guarding the rights of the State in this respect, has every confidence that the Commonwealth will recognise the rights of Western Australia and deal justly in this matter."

594. The foregoing paragraphs in the Governor's Speech created considerable discussion during the ⁽¹⁾Address-in-Reply; Federation was generally attacked as being harmful to the best interests of Australia; and the government of the day was urged to take such action as may be necessary to secure the withdrawal of Western Australia from Federation.

595. On the 26th September, 1906, the Legislative Assembly agreed to the following resolution on the motion of Mr. F. C. Monger, a private member of the Assembly and representative for the York district:—

(2) "That the Union of Western Australia, with the other States in the Commonwealth of Australia, has proved detrimental to the best interests of this State, and that the time has arrived for placing before the people the question of withdrawing from such union."

596. In his capacity as a private member, Mr. Monger subsequently brought down a Bill to provide for a Referendum on the question of Western Australia withdrawing from Federation. Upon a point of order being raised, the Speaker ruled that motions for the first reading and the second reading of the Bill could be proceeded with, but that since the Bill involved public expenditure, it could not go into Committee without a message from the Governor. ⁽³⁾On the 13th November, 1906, the Bill was introduced and read a first time; on the 15th November, 1906, Mr. Monger moved the second reading of the Bill when the debate was adjourned, but the close of the session intervened before the debate could be resumed.

597. The outstanding speech during the debates which occurred on that occasion, was that of Mr. Thomas Walker (for 25 years until his death in 1932 the Labour representative of the Kanowna district). Mr. Walker represented a goldfields constituency, and voted against the motion because he ⁽⁴⁾"was of the opinion that we had entered into a marriage

(1) W.A. Parliamentary Debates, 1906, Vol. XXIX, p. 33, *et seq.*

(2) W.A. Parliamentary Debates, 1906, Vol. XXIX., p. 1871.

(3) W.A. Parliamentary Debates, 1906, Vol. XXX., pp. 2829-2948-9.

(4) W.A. Parliamentary Debates, 1906, Vol. XXIX, p. 748.

from which there was no divorce; or only divorce under such circumstances as might be very disastrous to us"; but his speech was delivered in an endeavour "to show that a course even of extremities may be necessary if this State does not receive justice." ⁽¹⁾ "As soon as I can see a way open," he said, "to declare more forcibly the position of this State in relation to the rest of the Commonwealth, so as to obviate those difficulties under which we have been suffering, and those grievances of which we have a very clear right to complain, then I will vote strongly with the government side. One speaker insinuated that those who spoke in favour of the resolution were not sincere. As I was one of the speakers, I wish it to go forth to the world that the statement that the House is not sincere in the resolution is absolutely without foundation. I can speak of myself, and I believe I know something of the sentiments of others. No greater earnestness, no greater sincerity could be thrown into anything than was thrown into the expression of my views of this subject. They were not reminiscences of speeches delivered during the Federal campaign. The facts arose from the circumstances of the moment, the hardships that this State has suffered, is suffering, and will suffer We are too much governed by sentiment; and a day will come, and is not far distant when absolute stress of circumstances, suffering, and misfortune in the State will compel its inhabitants to do something more active than to pass a mere resolution."

598. Mr. Walker's contribution to the debate on the foregoing motion reveals such a remarkable insight and forecasted the future with such accuracy, that it is considered helpful to set forth, in Appendix No. 55 at the end of this chapter, extracts from his speech.

The Period 1914-1918.

599. A few years intervened, and then came the War period in which all other questions were submerged for the time being. During that period, however, there was growing a pronounced resentment at the assumption by the Commonwealth of all manner of powers through the instrumentality of the War Precautions Act—a piece of legislation which, even after the cessation of hostilities, enabled the Commonwealth to over-ride the States, to interfere with their affairs and show discrimination, and to exercise wholly unexpected powers, all under the plea—in many instances a very specious

(1) W.A. Parliamentary Debates, 1906, Vol. XXIX, pp. 1873-4.

plea—of the defence of Australia. Dissatisfaction with Federation grew apace and in the Legislative Council on the 11th April, 1918, an important speech on the matter was delivered by Mr. H. P. Colebatch (then Colonial Secretary and now Sir Hal Colebatch, the present Agent General for Western Australia). During the course of his speech he made this statement:—"It is therefore my duty to place the position of finances in outline before members, all of whom, I am willing to believe, are keenly anxious to assist the Government in what everyone recognises are circumstances of unexampled difficulty in this State: indeed not frequently has any State in the British Empire been confronted with a more serious position." Proceeding, he dealt with many aspects of the question, and asserted that threatened State bankruptcy may drive the people of the State into either of two alternatives—separation or unification.

600. At the end of 1918 the "Sunday Times" newspaper published a series of articles from the pen of Mr. Alfred Chandler wherein the violation of the spirit of the Constitution of the Commonwealth was vigorously attacked and Secession was advocated.

The Period 1919-1924.

601. Then followed the preparation in 1919 of a report by the State Under Treasurer concerning the effect of Federation upon the finances of Western Australia; in 1921 a joint Select Committee of both Houses of the Parliament of Western Australia was appointed to inquire into the effect of the Federal compact upon the finances of the State. At that period there was great resentment right throughout the State at the treatment being meted out to Western Australia by the Commonwealth. At that time, as will be gathered from Chapters 11 and 12 of this Case, the full burden of the Commonwealth Tariff was but little appreciated by the community at large, although its retardation of the mining industry was apparent; world prices for primary products were soaring; an artificial prosperity had been created by heavy governmental borrowings; and the tariff of the wartime years was a mild affair to the tariffs which were introduced in 1921, 1926, and 1928. Thus the aspects of the problem then uppermost in the minds of Western Australians were the political disabilities of Federation rather than its economic effects. The main cause of the extreme

dissatisfaction existing in Western Australia during the period 1919-1924 was the numberless breaches of the Federal compact and the cavalier attitude of the Commonwealth Government towards the interests of the western State. In November, 1922, however, the case against the Commonwealth tariff was presented in four illuminating articles in the "West Australian" by Mr. J. C. Morrison, then its chief leader writer. In those articles Mr. Morrison demonstrated that although the effect of Federation upon the State finances was an important matter, it was nevertheless subordinate to a greater question, namely, the baneful effect of the Commonwealth tariff upon the primary and secondary industries of Western Australia. In 1922 the Tariff Board visited Western Australia in connection with its ordinary duties. Taking advantage of the opportunity thus afforded, the Prime Minister of the day requested the Tariff Board to report upon any matters affecting the State which the Board deemed to be of a serious nature from a Federal point of view. The result of the Tariff Board's investigations are contained in two supplementary reports, "General Report on Western Australia" and "Report on the Tariff and its incidence in Western Australia," attached to the annual report of the Tariff Board to 30th June, 1924.

602. In the last-mentioned supplementary report the Board reported, *inter alia* (at page 25)—

"On all sides it was found that there was a unanimous disappointment with the results attendant upon the operation of Federation upon the State of Western Australia. This disappointment covered all degrees of criticism from a mild disapproval to a rebellious desire to achieve Secession."

603. Proceeding, the Tariff Board reports (at p. 27) that "The Board is reminded of a somewhat analogous position that arose and became critical in the first half of the last century in the United States of America"; and whilst not unnaturally denying the justification or excuse for the existence of such a party, the Board records that "nevertheless it is interesting to recall the fact that there, at that time, as here, in Western Australia, at this time, a minority has arisen advocating Secession for purely fiscal reasons."

604. In conclusion, the Tariff Board reported that the evidence which had been placed before it warranted an expert investigation.

605. Another cause of extreme dissatisfaction was the Commonwealth Navigation Act (whereby the coastal trade of the Commonwealth was virtually reserved to ships on the Australian Register) which operated very harshly upon the industries of Western Australia as was testified by many witnesses before the Royal Commission on the Navigation Act on the occasion of its visit to Western Australia in 1923.

The Period 1925-1929.

606. The "Sunday Times," a newspaper which, incidentally, strongly opposed Federation in 1900, persisted in its advocacy of Secession. The public agitation increased; and in 1924 the Commonwealth Government appointed a Royal Commission to inquire into the effect of Federation upon the finances of Western Australia. That Commission, generally referred to as the "Disabilities Commission," and which consisted of three gentlemen resident in States other than Western Australia, heard evidence during the year 1925 in which year a Secession League was formed. By that time the effect of the Massey-Greene Tariff of 1921 was becoming very evident. ⁽¹⁾"Round the heads of that Commission there gathered a cloud of witnesses who damned Federation as a disastrous experiment, a very great mistake." Although that Commission, and the majority of witnesses who appeared before it, were primarily concerned with the question of Federation purely from its financial effect upon the State Treasury, the question of Secession was raised and freely discussed, and part XXIII. of the Commission's Report is devoted entirely to a discussion upon the issue of separation. Even the official statement presented before the Commission on behalf of the government of Western Australia contained the hint "That in the absence of adequate assistance the State would be forced into one of two positions, that is, either to surrender its individuality and to allow the State to become absorbed as a Commonwealth Territory, or to seek some relief from a partnership which has brought disaster to her." (Vide paragraph 22 of the Commission's Report.) Many witnesses submitted the view that Secession alone offered a lasting solution to the problem and announced themselves as avowed Secessionists. In Appendix 56 at the end of this chapter extracts from some of the evidence in support of Secession as tendered by witnesses who appeared before that Commission are contained.

(1) Professor Hancock's "Australia" at p. 104.

607. There were, of course, some witnesses who expressed themselves as opposed to Secession; but the fact that several of them are to-day numbered amongst the most convinced and ardent Secessionists, may be taken as further evidence of the steady and gradual growth of the movement.

608. In concluding a discussion on the question of Secession in 1925, the Commission, in paragraph 392 of its Report, refers to the "dissatisfaction with Federation which has been sedulously fostered by at least one Western Australian journal of wide circulation, and which has obtained a degree of acceptance that cannot be dismissed as insignificant."

609. It is paragraph 581 of that Commission's report which contains the now famous Minority Report by Commissioner Entwistle:—

"In my opinion, Western Australia should never have entered the Federation, but, having done so, there is, I feel convinced, only one complete and satisfactory remedy for her present disabilities, *viz.*, Secession."

610. The making of the disabilities grant to Western Australia consequent upon the recommendation of the Disabilities Commission; the promise of a ⁽¹⁾Constitutional Session of the Federal Parliament to review the Constitution; and the appointment of still another Royal Commission in 1927, all tended to hold the Secession movement in a state of suspended animation.

611. Nevertheless, discontent was rife and on the 24th June, 1926, subsequent to his return from a Premiers' Conference, the then Premier, Mr. P. Collier, issued a statement vigorously protesting that "the aim of the Federal government for some time past has been in the direction of gradually depriving the States of their self-governing rights." The Premier's remarks were published officially in pamphlet form and extracts therefrom are set forth in Appendix No. 57 at the end of this chapter, while in Appendix No. 58 extracts are furnished from speeches by the Premier and the Leader of the Opposition on the occasion of the Address-in-Reply during the State Parliamentary Session of 1926. On that occasion Federation was attacked by these two leaders in a thoroughly non-party manner. "There is nothing that we can do that we cannot undo if we go the right away to work" then declared Sir James Mitchell, "It will be a slow business, and I do not know where we shall find the men with

(1) The proposal to hold a Constitutional Session was a feature of the Policy Speech of the Prime Minister (Mr. Bruce) delivered on 5th October, 1925.

sufficient money and leisure to devote themselves to undoing the Federal knot. I should like to see this country free."

612. Great results were promised from the Royal Commission of 1927 which had been appointed for the purpose of inquiring into and reporting upon the working of the Commonwealth Constitution since Federation and to recommend constitutional changes considered to be desirable. As may readily be gathered from its terms of reference, the Constitution Commission was largely concerned with the working of the Australian Constitution without particular reference to any individual State. Mr. Chandler, however, took advantage of the occasion to impress upon the Commission that "the only remedy for Western Australia is Secession." Some pertinent evidence on the peculiar position of Western Australia as a State of the Commonwealth was also given by Professor Shann, who, whilst expressing his inability then to see how it could be achieved, said he was definitely of the opinion that Western Australia could do better out of Federation than in it. Extracts from the evidence given by these two gentlemen in 1927 before the Constitution Commission will be found in Appendix No. 59 at the end of this chapter.

613. Mr. Collier again returned to the attack, and is reported on 28th January, 1928, to have said—

"We have six States, poor and needy, and a rich, bloated Commonwealth ending each year with fat surpluses that are the sign manual of bad government. . . . Bit by bit the Federal authority is growing, at the expense of the States. We are drifting as sure as fate towards unification. That means ruin. This enormous country cannot be governed from a political centre by men almost entirely ignorant of conditions in the far corners of the land."

614. The promise of a Constitutional Session of the Commonwealth Parliament did not materialise. The Royal Commission on the Constitution presented its report late in 1929, but no action has been taken upon it. By that time the tariff wall of 1921 had been raised in three successive instances, namely, by the Massey-Greene tariff of 1925 and the Pratten tariffs of 1926 and 1928; and it had become increasingly clear from the study and thought which had been directed to the question by the general dissatisfaction then existing, that no constitutional alteration could remove the root cause of Western Australia's disabilities under Federation, namely, her geographical isolation and all its consequential effects.

615. The harmful results of Federation were obvious but various factors were often misinterpreted as being the cause.

In the earlier stages, the Federal Government was regarded as being solely responsible; and that was one reason why the people of the State were so long-suffering—they felt that good sense and common justice would ultimately prevail in the councils of the Federal government, and that the wrongs they suffered would then be righted; but gradually it became clearer and clearer that Western Australia's disabilities under Federation arose not merely from the questionable actions of an arrogant Federal government, but also from grave inherent weaknesses in the Australian Federal system of government and from the impossibility of giving Western Australia a satisfactory place in any such system.

The Period 1930-1934.

616. So with the realisation of these facts the agitation for Secession was renewed. In May, 1930, an enthusiastic Secession meeting was held under the chairmanship of the then Premier, Sir James Mitchell. The Secession forces were thereupon re-organised and in the following July the Dominion League of Western Australia was formally launched, its avowed object being to secure for Western Australia the status of a Dominion within the British Empire.

617. Hitherto the dissatisfaction with Federation had been widespread and general; the desire for Secession had increased with each succeeding year; but it was lacking in one particular—it exhibited little evidence of organised political cohesion. The task of organising and marshalling the forces of public opinion throughout the State was a stupendous one. The difficulties were accentuated by reason of a then unsympathetic daily Press, since Western Australia has but two newspapers with a daily circulation—one morning, and one evening—and both had then recently been purchased by ⁽¹⁾financial interests in the Eastern States. In giving evidence before the Disabilities Commission in 1925 the Acting Premier (Hon. W. C. Angwin), when questioned on the matter of Secession, frankly admitted that he ⁽²⁾“regarded it as useless to consider the matter, because it would be too big a job to place anything in regard to Secession before Western Australia.” Under date of the 27th June, 1930, the then Premier, Sir James Mitchell, K.C.M.G.,

(1) The “Daily News” changed ownership in 1925-26. The “West Australian” changed ownership in 1926, but that journal has since announced that 65 per cent. of its capital is held in Western Australia.

(2) Disabilities Commission's Report at para. 376.

addressed a letter to the Hon. Arthur Lovekin, M.L.C., who was, until the time of his death, a vice-president of the Dominion League. In that letter Sir James stated that although the fight for Secession would entail a terrific amount of work, it was his fervent hope that the Dominion League would organise for the fight and launch the campaign in real earnest; it was a patriotic duty which could not be left undone. He promised to help in every way possible, but he pointed out that the duties of office were too exacting to permit of his giving as much time to the movement as he could wish. The full text of the letter is as follows:—

SIR JAMES MITCHELL'S LETTER, 27th JUNE, 1930.

"The movement for Secession is provoking considerable interest, not only amongst our own people, but throughout the Commonwealth. Our wish is to be free of Federation. If we cannot get our freedom quickly, we must strive as a first step to secure a reduction of Federal taxation and of tariff duties, for it is imperative that immediate relief be obtained.

"It is not too much to ask that the Federal Government return to the position the Commonwealth was intended to occupy when we federated. After nearly thirty years' experience, it is perfectly clear that the disadvantages of Federation are too great to be supported by the earnings of our people. This year, I have no doubt, Federal, State and local government taxation will absorb at least 25 per cent. of the gross production of wealth, which, of course, is far too heavy a burden for a country like ours.

"Thirty years ago, the people of Western Australia were promised great advantages from the Federation. Experience has shown that only disadvantages and ever-increasing burdens have been our portion. So recently as two years ago we were told of great benefits that would accrue to us if we approved of the Financial Agreement, but none of the good expected from the Financial Agreement has come our way yet. Money, instead of becoming cheaper, has become dearer and at present is almost unprocurable. As a matter of fact, the Federal Treasurer, at the recent meeting of the Loan Council, had to confess inability to borrow for us £2,000,000 of loan money already expended, and I suppose our case is that of every other State.

"This is a very serious matter for a young primary producing State vitally dependent upon loan money for the development of its resources. If Western Australia were free to manage its own affairs, as it did for a brief ten, but exceedingly prosperous years, from 1890 to 1900, we should have no difficulty in borrowing the money we need on terms as favourable as those enjoyed by New Zealand. Previous to our subscribing to the Financial Agreement, the interest paid by Western Australia was lower than that paid by any other State, and there was never any doubt about our being able to borrow in London all the money we required.

"The Dominion League of Tasmania has written suggesting that a conference between representatives of that State, Western Australia and South Australia be held in Adelaide. According to a Press telegram from Adelaide, the South Australian Chamber of Manufactures has decided to

convene a conference of business men to consider the disabilities of the smaller States. These three States have had to approach the Commonwealth for monetary grants to counteract the disabilities of Federation, and there is no doubt that Queensland would be in similar difficulties but for the Commonwealth's bolstering of heavily bonused industries, towards which we have to contribute substantially. Thus Federation has proved a boon only to two of the States, and a decided detriment to three.

"It would be wise to join with South Australia and Tasmania in holding a conference, which should impress upon the Commonwealth Government the need for returning to the original intention of Federation. It should demand drastic reform, an immediate reduction of taxation, and particularly that the Commonwealth should abolish any overlapping of State activities, which not only adds to the cost of administration, but causes confusion. Could all the overlapping of departments for which the Commonwealth has been responsible be wiped out, administration would be cheapened and simplified. In these directions I see a possibility of the smaller States securing that early relief of which they stand so sorely in need.

"I realise that there is a considerable volume of public opinion in favour of a straight-out fight for Secession. Such a fight would entail a terrific amount of work—far more than any busy man could superimpose upon his other duties and carry through successfully—but it would not be an impossible task if the people interested would only come together and share the burden. Already there has been a wide response to your call for Secession: the people are deeply concerned about the question and are asking that speakers be sent about the country to discuss the position with them. To meet their wishes will involve the expenditure of much time and money, but it is a patriotic duty that cannot be left undone.

"There can be no turning back until we get substantial relief or freedom. If there be any let-up in the agitation, we shall be let down. We are making a fight for freedom, not because we entertain any dislike for the people of the Eastern States personally, but because we simply cannot longer bear the load of debt that partnership in the Federation imposes upon us. Ours is a fight for the right to live in some degree of comfort. Our people have achieved wonderful results in developing the country, and because we want to continue that work of development and are unable to do so while hampered by the excessive burdens of Federation, we are driven to fight for freedom. In consequence of our having entered Federation, our lives are more or less controlled by Eastern States people, some of whom have never seen Western Australia and some of whom have scarcely heard of it.

"It is my fervent hope that the Dominion League of Western Australia will determine upon a definite line of action to fight, firstly for immediate substantial relief, which is imperative, and secondly for Secession. May I suggest, therefore, that a leader be chosen, and that speakers and workers be appointed to organise the fight. With the encouragement we have received, not only from the people within the State, but from some people in all the States, we lack nothing of incentive to press our claims.

"It must be remembered that if the Secession movement proved successful, this State would have to bear its share of the war debt as well as other obligations incurred by the Federal Government. Those matters, however, could easily be adjusted, and the payments due by the State would represent only a fraction of the direct and indirect cost of Federation to the State at the moment.

"I have stressed the need for the State's securing immediate relief. This need would not interfere with your prosecution of the major fight, but its achievement would mark the attainment of a stage along the road toward the accomplishment of the final goal—Secession. Consequently, I trust you will exert your efforts to get the work of the League properly launched in real earnest. You may depend upon me to help in every way possible, but you will realise that the duties of office are too exacting to permit of my giving as much time as I could wish to the movement at present."

The Dominion League's Activities.

618. Such was the enthusiasm and sincerity of the Secessionists that they immediately responded to the appeal contained in the above letter. The utter impossibility of securing substantial Federal relief or a reduction of tariffs became more evident every day—indeed added burdens were experienced and ⁽¹⁾ higher tariffs were imposed. So, by means of public meetings, broadcasting, the Press, and considerable educational propaganda, the Dominion League set out to place the question of Secession and its many implications before the public of Western Australia; and this was accomplished with that zeal, enthusiasm, and sincerity which alone could sustain an effort of such magnitude.

619. In the conduct of its campaign the Dominion League had recourse to various authorities both past and present. The eloquence of Sheridan, the declamations of Thomas Paine, and the wisdom of Macaulay, concerning the rights of man, the absence of any power to bind posterity to the end of time, and the superiority of public opinion over force in the government of men were placed before the people. From recent speeches by the present Prime Minister of the United Kingdom, the Right Honourable Ramsay MacDonald, P.C., they quoted these words—

(2) "The Empire's expansion must more and more be an expression of constitutional liberty, finding new forms of expression."

(3) "The evolution of the political institutions of the Empire has to continue This country and this Empire have been the first that have promised to succeed in solving the problem of how to preserve individual

(1) See Chapter 11 of this case.

(2) Mr. Ramsay MacDonald's Empire Day Message (May 24th, 1931).

(3) "West Australian," 11th November, 1931.

freedom within Imperial unity. We appear to be the first to substitute common loyalty for coercion, and affection for legal forces, and to succeed in the experiment."

They explained how the Right Honourable Stanley Baldwin, P.C., had emphasised the fact that ⁽¹⁾"The Empire was a living organism. It was in the constant process of evolution It could not be supposed that in this world of evolution India alone would remain static." What applies to India, they said, must surely apply with at least equal force to Western Australia.

620. At a Convention representing duly constituted branches of the Dominion League and various local governing bodies throughout the state, and held on the 4th August, 1931, the assembled delegates solemnly pledged themselves not to cease in their efforts "until the citizens of Western Australia, as a united body, assert their determination to save the State and its people by declaring with an overwhelming majority their desire for complete separation from the control of the Commonwealth Parliament, and for a return to the status of a free community in the British Commonwealth of Nations."⁽²⁾

621. For three years the Dominion League unremittingly pursued the course which it had set. Needless to say, the opponents of Secession put forward their side of the case from time to time, but the rising tide of public opinion in favour of Secession encouraged the Dominion League to more strenuous efforts in which they had the public support of many of the King's Counsel in Western Australia. When Parliament was satisfied that a large majority of the people were demanding a Secession referendum the necessary legislation for the holding of such a referendum was passed. The Bill, which became law on the 30th December, 1932, was introduced into the Legislative Assembly by the then Premier, Sir James Mitchell, who, incidentally, was one of the members who voted in favour of the Secession Resolution of 1907.

⁽¹⁾ Mr. Stanley Baldwin in the Debate on the Constitutional future of India (12th March, 1931).

⁽²⁾ Proceedings of Dominion League Convention 4th August, 1931, pp. 13-14.

The Secession Campaign, 1933.

622. The Secession campaign which concluded on the day of the referendum, 8th April, 1933, provided what was probably the greatest political battle ever conducted in Australia. Two questions as set forth in paragraph 624 of this chapter, were submitted to the electors. The general elections which were held concurrently with the referendum, were overshadowed entirely by the referendum. The people of the State were thoroughly roused and a visit by a Federal delegation, headed by the Prime Minister of Australia, only served to increase the enthusiasm of Western Australians in favour of Secession. It was determined by the leaders of the various parliamentary political parties in the State not to make the question of Secession the football of party politics. The decision of the people was to prevail and the people were to express their opinion by way of the referendum. In this way Secession was considered as a great national question entirely free from any semblance of party politics. The referendum campaign was conducted by two non-party and otherwise non-political organisations. The Dominion League of Western Australia advocated Secession and opposed a Constitutional Convention, while the Federal League opposed Secession and advocated a Constitutional Convention. The "Sunday Times" and almost the whole of the provincial Press supported Secession, which, however, was opposed in varying degrees by both sections of the daily Press. Every argument for and against Secession, therefore, was placed before the people who then decided the issue with an enthusiasm equalled only by that with which they carried the referenda for Conscription for Imperial Service during the Great War.

623. At a meeting of Western Australian citizens in the Perth Town Hall held subsequently to the referendum, the following resolution was carried:—

"This gathering of West Australian citizens, assembled to celebrate the success of the Secession Referendum Campaign, regrets the attempts which are being made in certain quarters to misinterpret the vote in favour of Secession. We hereby proclaim that our vote in favour of Secession is no gesture; our vote means that we demand Secession, and nothing but Secession."

The Result of the Referendum.

624. The Secession Referendum was held on the 8th April, 1933. Two questions were submitted to the electors by means of *separate* ballot papers in the following forms:—

Form C.

Western Australia.

THE SECESSION REFERENDUM ACT, 1932.

Ballot Paper.

(QUESTION 1.)

Directions to Voter.—The voter should indicate his vote as follows:—

If he is in favour of the question set forth hereunder, he should make a cross in the square opposite the word "Yes."

If he is not in favour of the question set forth hereunder, he should make a cross in the square opposite the word "No."

SUBMISSION OF A QUESTION TO THE ELECTORS.

Question: Are you in favour of the State of Western Australia withdrawing from the Federal Commonwealth established under the Commonwealth of Australia Constitution Act (Imperial)?

☐

Yes.

☐

No.

Form D.

Western Australia.

THE SECESSION REFERENDUM ACT, 1932.

Ballot Paper.

(QUESTION 2.)

Directions to Voter.—The voter should indicate his vote as follows:—

If he is in favour of the question set forth hereunder, he should make a cross in the square opposite the word "Yes."

If he is not in favour of the question set forth hereunder, he should make a cross in the square opposite the word "No."

SUBMISSION OF A QUESTION TO THE ELECTORS.

Question: Are you in favour of a Convention of Representatives of equal number from each of the Australian States being summoned for the purpose of proposing such alterations in the Constitution of the Commonwealth as may appear to such Convention to be necessary?

☐

Yes.

☐

No.

625. There were 237,198 persons whose names were on the electoral roll and who were entitled to vote at the referendum. The detailed results, as certified by the Chief Electoral Officers, are contained in Appendix No. 60 at the end of this chapter. The grand totals, according to the electoral districts defined for the purposes of the Legislative Assembly elections, were as follows:—

ON THE QUESTION OF SECESSION.

		Electors Enrolled.	Yes.	No.
17 Metropolitan Districts	....	123,682	72,037	39,043
21 Agricultural Districts	....	89,405	57,316	21,319
8 Mining and Pastoral Districts	....	20,880	7,763	9,279
4 Northern Districts	....	3,231	1,537	1,065
Grand Total	....	237,198	138,653	70,706

ON THE QUESTION OF A CONVENTION.

		Electors Enrolled.	Yes.	No.
17 Metropolitan Districts	....	123,682	48,066	61,831
21 Agricultural Districts	....	89,405	29,609	48,248
8 Mining and Pastoral Districts	....	20,880	9,271	7,677
4 Northern Districts	....	3,231	1,329	1,275
		237,198	88,275	119,031

626. It must not be presumed from the foregoing results that there were some seventy thousand electors who were satisfied with the existing order of things, and who were neither in favour of Secession nor of holding a Constitutional Convention. It has already been explained earlier in this chapter that the Secessionists advocated a negative vote on the question of a Convention while the Conventionists urged a negative vote on the question of Secession. The electors fell largely into these two divisions although a number apparently followed the advice of a minor section and voted in the affirmative on both questions which accounts for the fact of the majority against Convention being less than the majority in favour of Secession.

627. The most striking features of the referendum were the high percentage of electors who voted, and the widespread regularity of the overwhelming majority in favour of Secession. More than ninety-one per cent. of the electors on the roll exercised their franchise, and with the exception of one group

of districts—the mining districts—the results for the State as a whole represented a true reflex of the voting in each electoral district. Secession was carried in forty-four of the fifty Legislative Assembly electoral districts into which the State is divided. Throughout those fifty districts voting facilities were provided at 950 polling booths and majorities in favour of Secession were recorded at no less than 870 of these booths.

628. The following are the detailed results in the mining and pastoral division; the one group of districts in which Secession was not carried:—

District.	Secession.		Convention.	
	Yes.	No.	Yes.	No.
Boulder	895	1,648	1,505	1,020
Brown Hill-Ivanhoe	707	1,328	1,195	836
Hannans	567	1,006	954	615
Kalgoorlie	1,210	1,769	1,693	1,259
Kanowna	898	687	745	830
Mt. Magnet	903	783	814	862
Murchison	844	931	1,033	732
Yilgarn	1,739	1,127	1,332	1,523
	<hr/> 7,763	<hr/> 9,279	<hr/> 9,271	<hr/> 7,677

629. These two outstanding features of the Secession Referendum of 1933—the record poll and the uniformity of the vote in favour of Secession—are all the more pronounced by contrast with the results of the Federation Referendum of 1900 of which full details are given in Chapter 3 of this Case. In 1900, 44,800 votes were cast in favour of Federation, or less than 50 per cent. of the electors on the roll and entitled to vote, namely, 96,065; and of the total majority then in favour of Federation, namely 25,109, no less than 24,517 represented the majority on the goldfields.

630. When moving, in the Legislative Assembly on the 29th August, 1933, a motion to give effect to the result of the referendum in favour of Secession, the Premier (Hon. P. Collier, M.L.A.) said *inter alia*:—

(1) "The result of the voting was remarkable. . . . It is interesting to survey the electorates that gave the majority for Secession, and those which voted against it. If ever a vote was cast in this or any other State of the Commonwealth that was entirely free, untrammelled, and uninfluenced by party considerations, it was this particular vote. We find that the Government side of the House is represented by 30 seats. It was believed in some

quarters that our party did not support the question for Secession, but rather supported the alternative of a Convention to consider amendments to the Constitution. It is therefore interesting to survey the position. Of the 30 seats represented on this side of the House, 24 electorates gave majorities in favour of Secession, and in many cases substantial majorities. I am glad indeed to say there was no party flavour in connection with the vote. Of the whole fifty electorates of the State, only six gave a majority against Secession Of the 30 seats represented on this side of the Chamber only six gave a majority against Secession. Taking the whole of the 30 seats held by Government supporters, the majority in favour of Secession was 32,473. Turning to the twelve Country Party seats, we find that each one of them gave a substantial majority in favour of Secession . . . Of the eight seats represented on the cross-benches by the Nationalist Party, each one gave a substantial majority in the same direction. . . Taking it all in all, the vote in favour of Secession was a remarkable vote I hope we shall be able to carry the matter through step by step, so that whatever move is made will be approved by the Parliament of Western Australia, and so that ultimately it can be said, when the case does go before the Home authorities, that it has the backing not only of the Western Australian people as expressed at the referendum, but also of the Parliament of the State as returned at the recent general election."

The Will of the People.

631. In Western Australia the question of Secession overshadows all other public questions. The people have expressed their desire for Secession in a constitutional manner and in high expectation that the Imperial Parliament will give effect to their desires.

APPENDIX No. 55.

PARLIAMENT OF WESTERN AUSTRALIA

LEGISLATIVE ASSEMBLY, 1906.

*Motion for Secession Referendum.*EXTRACTS FROM A SPEECH BY MR. T. WALKER
(Kanowna).(Parliamentary Debates 1st August, 1906, Vol. XXIX., p. 748, *et seq.*)

. . . . The cry of union, of brotherhood, of fighting as comrades and fellows—whether it be among individual members of families, citizens of States, or among nations—is always an uplifting cry, which invariably gives people a stimulus towards crying “Hear, hear,” and “Hip, hip, hurrah!” But in the affairs of life two forces are found at work; and it must never be forgotten that as much good is sometimes accomplished by division as by union. In fact, the work of nature—and I take it that even in politics we should be more or less guided by the illustrations that nature affords—the work of nature is a wise balance between the two, between union and division. I could instance, if it were necessary, as many historical advantages that have accrued from division as the hon. member can from unity. . . . I, for one, cannot help thinking that it would have been far wiser for us if we had not so precipitately rushed into the Federation at the time we did. Great and lofty ideals are, I admit, great factors in the character of national life; they are wise things, good things; but we must always remember that there should be sentiment for our own country, for our own spot, the place in which we live, before we exhaust all our patriotism in altruism for other Colonies or other States. I think that no better illustration can be shown in that respect than the course taken by New Zealand. New Zealand refused to come into the Federation. Has she sunk in consequence? Has she not rather strengthened herself? The late Mr. Seddon, who had a tribute of respect so worthily paid to him by the Premier and by the Leader of the Opposition, not so long ago, upon his regrettable end—did he in his lifetime earn less respect, even from the motherland, than the Premiers of the other States who yielded to the cry of Federation? He stood out, and yet he won, I think, from all the world more admiration from that fact than did the Premiers of the other States who were so willing to sacrifice their States for the common pooling of interests, as it were, in Federation; and New Zealand has flourished at the expense, I submit, of the Federation, and has obtained advantages for her little State in consequence of the fact that all these States are now obliged to submit to a common tariff. New Zealand has been able to export her products into the Commonwealth more advantageously under the Commonwealth than ever she could have done under separate protective tariffs, and the Custom-houses in these States as they were run prior to Federation. She has obtained advantages by that, and, I submit, so also could this State have obtained advantages if she had refused to come in at the time she did. To the present this State has obtained no benefit perceivable in a material sense from joining Federation. On the contrary, she has sacrificed much. She has given up not only her right to the management of

the institutions which should be in immediate touch with the people, but also in regard to her revenue, a most important thing and a vital matter to a young State that requires every possible resource in order to develop its industries and its material promises of prosperity. We require all the money we can raise amongst ourselves for that purpose; and not only are we now sacrificing the taxes we were privileged to enjoy prior to Federation, but there is the constant menace over us that, as the Federal power grows in strength and gathers to itself, as all great powers will, more privileges, we shall from time to time be more exploited and more and more placed under burdens, and we cannot protect ourselves. We shall be called traitors if we dare to criticise this marvellous organisation down there in Melbourne, a Governmental organisation which they will keep in Melbourne as long as they can for the sole purpose of making that a sponge-centre which draws into it, as it were, the resources from the other States, flowing constantly to that temporary capital of the Commonwealth. They will keep it there. They are profiting by it. Only a few years ago this State, in the material wealth of each individual inhabitant, was progressing at a marvellous rate. When came the stop? When did we feel the arresting shudder? Precisely when the Commonwealth power began to take effect upon us. We have stopped, we have rested to a certain extent in our growth. Factories that were once employing hands gradually reduced the number, and some of them have gradually closed down. There is no promise of factories starting here. All the workmen engaged in those particular kinds of employment have been drafted over again to the Eastern States, and precisely as we have dwindled in our opportunities of growth and material prosperity, just in the same manner have the Eastern States taken a sudden rise to life again. Dead, bankrupt, almost hopeless, Victoria is under the proud princship of Mr. Bent, who glories in the luxuries of the full Treasury chest that has come upon Victoria, by no effort of Victoria specially, but because this State is constantly drained of the wealth of her inhabitants and of her workmen in order to administer to the prosperity that has dawned upon that Eastern State. There is no denying all these facts. They are given to us in that driest of all arguments, pure statistics. Those countries of the East are going ahead at our expense. We are finding the markets. They are draining us of the wages of our citizens. They are taking from us that revenue which should go into our own coffers. In every possible way they are growing at our expense; and it is not only that they are growing at our expense and to the detriment of our national life and our national progress, but they are rendering us nerveless. Who is anxious to invest his money now in this State in any industry that will give employment? What man desirous of making a living out of some kind of factory, or works of this description, will spend his money here? . . . This is a matter of considerable importance to our national life, of importance to our future. I repeat that we are being drained by the Eastern States, and shall be drained so long as we continue in subjection to them. But the danger is that the power will grow and not diminish. It is the tendency of all central powers to draw power to themselves. . . .

How do we bring out our best possibilities? Only by focussing our energies on what lies immediately before us and about us. Our resources cannot be developed from any great central seat of Government. We need all our powers focussed on what we are doing here, and we want to be able to use those resources without having to consult anybody outside us. We do not want any crippling power placed on our endeavours to develop what

is ours, or what is about us and for us. I submit that we are only in that sense crippled by having to look abroad, by looking elsewhere, to the Eastern States—and mark you, we are just as much isolated from the central Government of the Commonwealth as is New Zealand. That Bight as much separates us from the East as does the sea separate Sydney from Auckland. Having that tract of desert or the Bight between us gives us an isolation which separates us from the East. We are by geography absolutely separated from the East. We cannot, with that separation, obtain that sympathy with which this State should be governed. We see in every debate that takes place in the Federal Parliament the localism that exists there. We see an anti-federal spirit displayed there. We see how every senator and every member of the House of Representatives fights for his particular State in the East. There are still the same old jealousies between Victoria and New South Wales; and in those fights this State is absolutely forgotten. We might as well be away in Timbuctoo or some other unearthly place as where we are. We are not worthy of consideration. What is proposed even by Sir John Forrest himself in the House of Representatives is treated lightly. People sneer at it, and we are treated as a country remote, unknown. We cannot develop our industries or our country under such circumstances; we are harassed by such circumstances as these. In addition to that, this is taken from our land what I take to be the greatest incentive to the greatness of its citizens—patriotism of a country within our own boundaries, that patriotism to which the Leader of the Opposition alluded. We have expended our patriotism; it is no longer focussed within the boundaries of Western Australia. We have none of that patriotism for ourselves now; we cannot discuss problems of our own; that power of national life, so to speak, has been taken from us; we have to rest satisfied with what our lords and masters do in the East. Let me give an illustration. If it be proposed by this Government or any other Government to introduce a national bank in this State, before we can do that we have to consult what the Commonwealth Constitution says about it, and if the Commonwealth Constitution arrogates to itself the sole right of currency, we find the law dead against us, we cannot do it although it be a great thing for the country, a wise law to be enacted, a matter that would help us out of our difficulties; the hand, the claw I mean to say, of the Commonwealth prevents us, and we dare not move. . . . Then, too, there are great national questions between the Mother country and this country, matters which in this House should be debated; questions of high material import, of great national interest and international interest, matters that should come for discussion here; but these are tabooed to us, now under the Commonwealth; the Parliament of this great State, one-third of the whole Commonwealth, has been reduced to the position of a mere shire council. We discuss mostly matters of roads and bridges; matters of great moment and policy we seldom can discuss. What is the result? The national life, the mental activity that is given to our citizens, especially to the young, is taken from us. Our inhabitants are born as it were to go through a dull period of monotony, while in the East activity takes place. There is nothing in this State to quicken it, nothing to make it feel the stimulus of the spirit of rivalry. . . . I submit that is very dangerous to our public life, it is a burden to the life of this particular State; we lose our best energies. . . . In other words, as we are now situated we are not allowed to mind our own business, to look after our own affairs. The greedy merchants of the East can insist on giving us supplies to our own disadvantage.

If we desire in any way to help our own local men, these merchants can say, 'No, we must be put upon exactly the same level as your own men, although we have already advantages over them. We have the advantage of having established the trade, of having got our factories, of having obtained our machinery, and having everything running and in good working order. We have all these to start with. You are beginning. You have the inexperience; you have the expense of the initial outlay; you have to wait until you get your market. We insist that we shall come down upon you now, before you get your strength, before you get your experience, before you obtain your market; we will swamp you out of it.' This is what Federation means to us, so that we can start nothing, we can have no industry, we must confine ourselves purely to mining and farming. That is what we are to be reduced to as things are, and as they have existed during the time we have had Federation. . . . They obtain these advantages, and they insist on our remaining in this isolated position. They still want to treat us as if we were a conquered State and not a partner in the Commonwealth, as if we were their Cinderella to do all the housework for them and receive no wages. Should they wonder if we complain? Should they wonder if there are cries about separation, about Secession? And I am not too sure that it would be such a harmful or heinous thing. For, from whom are we separating? Not from that great Motherland which is our source of protection. We do not desire to sever those bonds that unite us historically with the greatest nation that has ever yet appeared in history. We are loyal to that Empire, which would protect us as it now protects New Zealand, and as it protects the Commonwealth. Is there not a sort of drawing us from that loyalty by the lodestone that exists at Melbourne? We are now no longer turning our eyes to the great historical fountain of justice. We now no longer look to the Motherland, but we look to the Federation of the Commonwealth for whatever appeals in justice we may have, in regard to whatever grievance our State may suffer. We are at their beck and call, at their mercy. And so really by means of this very Federation our loyalty to a certain extent is strained, and is diverted from its course; and just as in the case of the breaking up of the great Roman Empire, which from Rome at one time governed even to the confines of the ocean, a shadow being right over Europe, just as in the case of the breaking up of the Turkish Empire into several principalities and kingdoms, and just as I believe the feeling is in Russia that growth and prosperity and ultimate liberty, and the salvation of men, will come about by the partition of Russia, just as Poland is seeking to obtain her traditional freedom, just so I believe this great continent could work better in parts, in zealous rivalry, not hatred or jealousy, but in actual emulation for the benefit of this great continent, for great it is, though sparsely populated now, looking to the future can we judge what this nation may be? . . . With their example visible before us, we want to emulate and carry on the traditions of the Great Empire of which we are a portion, and of which we should not be less a portion if we were separated from the Commonwealth to-morrow. Nay, more, we should seem more a portion, as being more dependent upon the mother country. By being separated from the Federal centre we should look more to that home land that has been a pattern of liberty to all the world; a land that has produced the bravest warriors, the finest poets, the greatest scientists, the noblest philosophers. We do not want to look to any David Gaunson or Tommy Bent in Victoria. We want to look to Britain, the land of history.

APPENDIX No. 56.

THE ROYAL COMMISSION ON THE EFFECTS OF FEDERATION
UPON THE FINANCES OF WESTERN AUSTRALIA, 1925.

Members:

Hon. W. G. Higgs, Esq., Chairman.

John Entwistle, Esq., J.P.

Stephen Mills, Esq., C.M.G.

MINUTES OF EVIDENCE.

Extracts from Evidence given by—

- (A) J. C. Morrison, Journalist, of Perth.
 - (B) A. J. Monger, Farmer, of York.
 - (C) F. C. Clifton, Engineer, of Bunbury.
 - (D) A. T. Chandler, Leader Writer for "Sunday Times," of Perth.
 - (E) H. R. Sleeman, Mining Engineer, of Whim Creek.
-

(A)

THURSDAY, 26th FEBRUARY, 1925.

J. C. MORRISON, Journalist, Sworn and Examined.

1343. By the Chairman: You are editor of the newspaper, "Free Lance"?—Yes.

1344. Where were you formerly employed?—I was principal leader writer on the "West Australian" for over twelve years.

1345. You desire to make a statement concerning the disabilities of the State of Western Australia?—Yes. In the statement I wish to make to the Royal Commission, I propose to confine myself almost entirely to the disabilities specially suffered by Western Australia as a member of the Federation, the disabilities being consequences of the protection policy favoured by the nation as a whole, and particularly by the Eastern States. The financial relations between the Governments of Western Australia and of the Commonwealth I intend to touch upon as little as possible, not because I consider them unimportant in themselves but as relatively unimportant beside the injury done to this State by the protection policy; and though I would gladly include reference to the purely financial relations, if by so doing anything I might say would assist the Royal Commission, I am prevented by pressure of business from doing more than referring to the most important features of Western Australia's disabilities. The Tariff Board, when in the State in 1922, through one of its members, Mr. Herbert Brookes, approached me to put up a case, for publication in the "West Australian," showing what I thought to be the nature of the special disabilities under which Western Australia laboured as a result of its member-

ship of the Federation. The Board, in a section of its report presented to the Federal Parliament last July, and entitled, "Western Australia's case against the Tariff," dealt almost entirely with these articles, and though not admitting in full the conclusions therein stated, acknowledged a substantial foundation for them. I make this reference because I wish the Royal Commission to understand that I have found no cause, in the more than two years which have elapsed since the articles were written, to alter the conclusions arrived at in them; and I desire, if it is necessary for their consideration by the Commission, to submit them as part of my evidence. In my opinion, the case of Western Australia against the Federation is one that is extremely simple to understand, though illustrations of the injurious operation of the Federal bond upon us require much research. Put briefly, our case is this: We are now, as when we joined with the eastern colonies to create the Commonwealth, essentially a primary producing people. Eastern Australia—I do not propose to distinguish between the other States, though obviously New South Wales and Victoria, with Queensland in a special way, are principally concerned—is a territory of both primary and secondary production. As its primary products—with a reservation in respect of Queensland sugar and bananas—are similar in character to ours, very apparently it has as little need to buy our primary products as we have to purchase its. Therefore, we sell the great bulk of our exports overseas in competition with other primary producing countries. The direction of our exports, totalling £11,105,220 in 1922-23 was £1,126,223 (10.14 per cent.) to the Eastern States; and £9,679,496 abroad; and £299,501 ships' stores, a total of 89.86 per cent. practically overseas exports. As predominantly a primary producing country, payment for our exports must be by imports of manufactured articles. The imported manufactures are to supply the tools and machines necessary to enable primary production to be undertaken, and to furnish us with those manufactured adjuncts of modern civilisation which our circumstances forbid us to make for ourselves. Here we come to the evil kernel of our case: Primary producing countries should sell to manufacturing countries and get back their manufactures in payment; but we are compelled to sell in the cheapest markets in the world, and to buy in the dearest, namely in the highly protected manufacturing States of the East; and for one essential primary product sugar, which we do not produce, to buy in the highly protected sugar fields of Queensland and New South Wales. We sell approximately 90 per cent. of our exports overseas; we buy approximately 48 per cent. of our import requirements from the East, and our eastern imports are brought to us by the most highly protected merchant marine in the world, a service that, under the shield of the Navigation Act, is able to exact for transport between some ports of Australia almost as much as it would cost to bring goods from the other side of the globe, and very much more relatively. Not one of Western Australia's primary industries is protected, but if our primary producers consume, as they do, sugar as an important article of diet, they pay a special tax in common, admittedly, with citizens of other States, though without the compensation enjoyed by the other States—to support sugar growers in Queensland and New South Wales. That, in short, is Western Australia's case against Federation, apart from the less important problems of the financial relations between the Governments. Stated thus, it may be claimed for it that it is practically self-evident. All additions are merely by way of illustration"

(B)

SATURDAY, 28th FEBRUARY, 1925.

A. J. MONGER, Farmer, Sworn and Examined.

P. 171. . . . Federation has been on trial for 24 years, and it has proved a disastrous experiment for Western Australia. The indefinite continuance of the present unfortunate position is likely to end in serious financial embarrassment for the State and its people. It must lead to the imposition of such a burden of taxation as will militate against the future settlement and development of the State, which, after all, is a part of Australia as a whole, and as such is entitled to justice. Our people entered into federation when they numbered not more than 194,000, and before it was possible for them to appreciate to the full the effect it might have upon their destinies. Western Australia certainly agreed to enter federation without insisting upon any safeguard to protect her vital interests; but it must be borne in mind that at that time the population of the State was made up largely of persons who had migrated from other parts of the continent to try their fortunes here, and that it was chiefly due to this circumstance that the preponderance of local opinion was in favour of linking up the destinies of Western Australia with those of Eastern Australia.

With the history of the past in our minds, I cannot help feeling that if a referendum were taken amongst the people of this State upon the question of whether they would prefer to remain a part of the Commonwealth or revert to their former status as a sovereign State, there would be an overwhelming vote in favour of breaking away from the Federal yoke. I suggest that this question could best be determined by means of a referendum submitted to the people. I am unable to agree with the inference drawn by the Acting Premier (Mr. W. C. Angwin) and invite his Government to test the feeling of the people of the State in the manner suggested.

(C)

MONDAY, 2nd MARCH, 1925.

F. C. CLIFTON, Engineer, Sworn and Examined.

P. 179 Then the question of Secession is a very serious matter, because it almost amounts to revolution. However, I desire to impress upon you that there exists throughout the country a very distinct movement towards Secession. I base that statement upon conversations I have had with persons from as far north as Wyndham and as far south as Ravensthorpe and Esperance. Only the other day I discussed the matter with an Agricultural Bank inspector who travels all over the State, and he indorsed my contention that the opinion is growing strongly that it will be necessary to go for Secession if relief cannot be obtained by other means.

Q. 1604. You contemplate a peaceful withdrawal?—Certainly. I do not mean anything in the nature of a revolution.

Q. 1606. You have not contemplated what would happen if the Imperial authorities refused?—No, but the position now is that the deficit is gradu-

ally piling up, and I do not think that it is the fault of any particular Government, as there is not enough revenue to carry on the work of the country. If we could not obtain Secession, people would become desperate, and would probably declare a strike against the payment of Commonwealth dues. That is purely my own opinion. Of course, no single person could refuse to pay taxes; it would be necessary to have an organised movement.

Q. 1607. However, you say the majority of the people you meet are in favour of Secession, and you consider that they would petition the Imperial Parliament?—Undoubtedly.

Q. 1608. You have not discussed the question of whether you would refuse to pay taxes?—No, because, naturally, that would be a last resort as it would assume the nature of a revolution, which we do not desire.

(D)

MONDAY, 9th MARCH, 1925.

A. T. CHANDLER, Leader Writer for *Sunday Times*,
Sworn and Examined.

Q.1881. By the Chairman: For how long have you been associated with the *Sunday Times*?—About sixteen years.

Q.1882. You have been a resident of Western Australia for how many years?—About 31 years.

Q.1883. I understand you have prepared a statement for presentation to the Commission?—Yes. In accepting the invitation to appear before the Commission, I wish to say the *Sunday Times* is in such an invidious position that it could not very well refuse to come forward and vindicate its attitude on the question of Commonwealth and State relationships. The awakening of the people of Western Australia to the crushing disabilities which they suffer under Federation was largely due to a series of articles that appeared in the *Sunday Times* towards the end of 1918 and the beginning of 1919. There were mutterings of discontent prior to that, and in 1906 the late Mr. Fred Monger, then member for York in the State Parliament, submitted a motion for securing Secession. At that time many of the disabilities and oppressions of Federation had not been so acutely felt or realised, and the proposal was not treated seriously. That there were serious financial disadvantages was apparent. Even the Federal Government and Parliament admitted those disabilities by making special grants to the State; but it was not until the War Precautions Act was imposed upon us that the intolerable conditions were so manifested. The interference with personal liberty, the restrictions on trade and production, the prohibition of export, the craze for pooling everything by the Commonwealth, the creation of boards of control, the dictation as to what a producer should do with his products, the invasion of State functions, and the interference with transport provoked intense dissatisfaction. The *Sunday Times* dealt with the cumulative grievances in the indicated series of articles, which culminated in a great meeting of citizens in the Perth Town Hall. That meeting was enthusiastic in its unanimity for drastic action; but its effective consummation was destroyed by a supine Premier, and the petrified passivity of certain politicians

who denounced the federal bondage, but had not the courage to advocate the logical conclusion—freedom, or a reversion to the full and progressive autonomy which the State enjoyed before accepting the Federal promises on their face value . . . The Federal Government absolutely killed the base-metals industry in Western Australia. This was done by prohibiting the export of tin, copper, or lead unless these metals were first sent to Port Kembla, New South Wales, to be refined. This abuse of the War Precautions Act was perpetrated after the Armistice, when there was no longer any war pretext; and the only conclusion forced upon us was that the ukase was imposed to benefit eastern refinery shareholders at the expense of Western Australian producers. Writing to the Western Australian newspaper on the 25th February, 1919, Mr F. D. Moss, President of the Mining Association of Western Australia, said:—

“I think it would interest of the people of Western Australia to know how the Federal Government have for the last two months been doing their utmost to injure the tin-mining industry of this State.”

Application was made on the 13th January, 1919, to the Acting Prime Minister for space to ship 40 tons of tin ore. A reply dated the 30th January was received stating that it had been arranged that limited quantities of tin ore would be shipped monthly from all ports, but it was uncertain when this arrangement would begin. Correspondence went on until the 10th February, when Mr. Moss expressed the opinion that the Federal Government were only fooling, and later, on the same day, Mr. J. M. Fowler (the member for Perth) informed him that Acting Prime Minister Watt had telegraphed him that the export of tin from the Commonwealth had been prohibited because they had decided that all tin ore should be sent to Mt. Bischoff, in Tasmania, to be refined. Think of the tin from Marble Bar or Greenbushes being shipped to Melbourne, reshipped to Tasmania and then reshipped to Melbourne en route for London! Mr. Moss had already 14 tons of metallic ore at Mt. Bischoff waiting to be shipped, but the Acting Prime Minister would not grant space until the 22nd February, and in the meantime the price had fallen about £60 per ton, that day's quote being £203, London. Mr. Moss wired to the Acting Prime Minister on the 22nd February, setting out the facts, and adding—

“Mineral and metal shippers, Eastern States, are granted shipping space which is denied to us in this State. Is there no justice available from the Commonwealth Government for Western Australia?”

The result of the “fooling” was further summed up in a wire to the Acting Prime Minister sent on the 25th February—

“Thanks permission ship metallic tin. Purchaser cancelled sale contract whilst waiting your permission. Price also fallen £60 per ton. Your blocking for eight weeks, then finally prohibiting export tin ore caused loss thousands pounds Greenbushes mine-owners. Sydney now offering £165 per ton metallic contents 70 per cent. tin ore, and most mines shut down.”

Similar treatment was imposed on the copper and lead industries. Export was prohibited unless the ore or blister copper and lead were sent to Port Kembla and refined. Instead of being allowed to ship direct to

London, as prevailed before the nefarious War Precautions Act was passed and renewed, copper producers were ordered to send their copper ore 2,000 miles and more, or 4,000 miles extra, before it could be shipped to London, and the difference in cost of refining at Port Kembla as compared with London was about £17 per ton. The Whim Creek Company, operating 50 miles east of Roebourne, or over 3,000 miles from Port Kembla, had an order for copper ore from the Japanese Government; but the company was refused permission to export unless the ore was first sent to Port Kembla to be refined. On this, the *Perth Daily News* remarked—

“Thus once again our bondage to Federal administrators of a peculiar kink of mind is demonstrated. Whim Creek must, willy-nilly, help to bolster up the metals octopus of the East. The ore must be carried half-way round Australia before it is permitted to increase the stocks of the world or to reach open markets ready and eager for purchase.”

... In consequence of this dictatorship, and the prohibition of export, the whole of the base metals industry in this State was crushed out of existence, and about 1,000 miners and mine workers were compelled to seek other avocations. Many drifted to the city, and the industries have not been resumed, except in very insignificant instances; and it is no exaggeration to say that the base metals industry of Western Australia was killed by the illegitimate use of a War Act, to batter the Port Kembla and other metal refineries in the Eastern States. It was a wanton and unwarranted interference by the Commonwealth Government in the industrial functions of this State and the whole circumstances left a bitter feeling in the minds of the people, and what is colloquially called a “nasty taste in the mouth.” But it was not only in regard to metals that the West was penalised. The Eastern States were consistently granted preference in the shipment of flour to Egypt, Java and other Asiatic countries. . . . Every obstacle was placed in the way of our shipping flour to Batavia and Singapore, the natural trade ports in the Malay Archipelago for this State, and yet every facility was afforded the Victorian millers. The same experience was encountered in the shipping of apples. In February, 1919, the Federal Government arranged to ship 640,000 cases to England, and of this quantity Tasmania was allotted five-sixths, leaving one-sixth to be divided between Victoria and Western Australia. Of course, Victoria is not a large exporter of apples, but Western Australia is, and Western Australia required at least space for 200,000 cases. The Federal Government were controlling the export of leather to England. Mr. H. Underwood, Secretary to the Federated Tanners’ Union, wrote to the press—

“After a deal of battling, one firm in Western Australia was allowed 16 bales out of nearly 2,000 bales sent to the order of the Imperial Government.”

Later on, between the 1st January and the 12th January, 1919, four consignments of leather, amounting to 1,978 bales, left the ports of Sydney, Melbourne and Adelaide for the United Kingdom, and Western Australia’s quota to these shipments was nil. And so it was in all our efforts to export, the eastern exporters got first preference every time.

So far I have dealt only with the major disabilities inflicted upon this State by Federation, but there are many minor matters which have to be enumerated. During the influenza epidemic, in 1919, the Commonwealth

Government endeavoured to force Western Australia to admit passengers—many of whom were contacts—without undergoing any quarantine whatever. The State Government opposed this attempt to impose free entry from plague-infested States, and compelled passengers, both by sea and land, to undergo the necessary quarantine safeguards. In retaliation, the Commonwealth Government withdrew all interstate ships except two from the western trade, and stopped the colliers from bringing over Newcastle coal. The Acting Prime Minister wired to the Premier of Western Australia, as follows:—

“I have instructed the shipping Controllers, therefore, that such States as are prepared to co-operate with the Commonwealth Government in connection with the quarantine restrictions must have prior claim to such tonnage as is still available. The States which are not prepared to co-operate and assist the Commonwealth Government in the present crisis must necessarily have the reduced amount of tonnage. Until your Government is prepared to withdraw all your State quarantine regulations, a proportion of tonnage which is at present employed in Western Australian trade must necessarily be employed in such other trades as offer more continuous employment. The Controller of Shipping, therefore, is cancelling the Mallina's trip to Western Australia, and is also withdrawing all colliers from the Western Australian trade, as they can be more continuously employed between other States, where the necessity for their service is equally imperative; but the Controller will endeavour to keep the Wyandra and Dimboola in the present service. I have advised overseas steamers that they must make their own bunkering arrangements to take them past Western Australia, without depending upon getting supplies of New South Wales coal there. If essential for them to bunker in Western Australia, Collie coal is to be used.”

Furthermore, the Commonwealth Government raised the freights on Western Australian timber shipped to the Eastern States. The *West Australian* newspaper, referring to the matter at the time, said:—

“The latest attempt at Federal coercion as revealed by the Deputy Premier (Mr. H. P. Colebatch) yesterday will cause many people to wonder whether or not the Federal Government, inspired by the Acting Prime Minister, has entered upon a vendetta against Western Australia. By increasing freights on timber shipped to the Eastern States, an attempt is being made to cripple the State's timber industry.”

Early in February of 1919, the Controller of Shipping in Melbourne (Rear-Admiral Clarkson), acting under orders, increased the freights on Western Australian timbers by 7s. 6d. per ton of 40 cubic feet, equal to 9s. 5d. per load. The Western Australian Sawmillers' Association wrote to the State Premier stating that in consequence of the action of the Commonwealth authorities, their orders for timber from the Eastern States had been cancelled. The Premier (Sir Henry Lefroy) and the Minister for Works (Mr. George), then attending interstate conferences in Melbourne, were

asked to make representations with a view to having the old rates restored. A couple of days later the Minister for Works wired—

“Rise timber freights means partial extinction of industry. Have taken up matter with Watt who states increased rates rendered imperative by your quarantine regulations, and refuses to consider position until same are relaxed.”

The Acting Premier then wired pointing out that—

“The increased freights were notified on 7th February and enforced on 8th February, whereas our quarantine regulations were never mentioned till days later. In view of this, Watt's statement to you that increase was rendered imperative by our quarantine restrictions, and that he refused to consider position until same were relaxed, is astounding.”

Thus it will be seen that because Western Australia sought to prevent the influenza plague from being introduced from the Eastern States, the Federal Government, under the atrocious War Precautions Act, cut off our food supplies by steamer, and Newcastle coal for bunkering, and raised the freights on Western Australian timbers to the east—all, presumably, to display the practical uses of the noble “Federal sentiment.”

Again, Western Australia started a Forest Products Laboratory in Perth, which was subsidised by the Commonwealth. Excellent work was being done, and through the co-operation of Mr. A. Lovekin, M.L.C., of the “Daily News,” who loaned a model paper-making machine to the laboratory, the public were enabled to see good newspaper print being made from jarrah chips. Other valuable research work was being carried out, and great expectations were formed with regard to the experimental results. When the laboratory looked like becoming important, it was “kicked in the neck,” to use a slang phrase, by the removal of most of the staff to Melbourne. Protests were fired and wired at Mr. Hughes, who fooled the Western Australian people with temporising promises; but, finally, one day we found that the remaining member of the staff had been spirited away or sacked—I forget which now—and the remainder of the equipment, including Mr. Lovekin's paper-making model, was shipped to Melbourne by Sir George Knibbs; and since then we have heard no more of our stolen laboratory, or whether it has ever solved anything of use or value to the timber industry of Western Australia.

Another matter, small but indicative of the hostile attitude of the Federal Government, was the order prohibiting the berthing of returning troopships at Fremantle. Our own returning soldiers had to come ashore in a launch, and some were taken across to Adelaide and returned by any inter-State boat available. Acting Prime Minister Watt's excuse for this was that Hobart, Adelaide, Sydney and Brisbane (strange to say Melbourne was omitted) had objected, as transports would have to undergo quarantine after berthing at Fremantle. The Acting Premier of Western Australia wired to all the Eastern Premiers asking whether this was true, and South Australia replied:—

“No restrictions of any description imposed on any vessels from any port of Commonwealth.”

Replies from other States did not get into print, so we never knew what they said; but it is fair to assume that the South Australian answer repre-

sented the attitude of the other States. Mr. Watt then appears to have shifted his ground, for he wired to Mr. Gregory, M.H.R.:—

"In view of the difficulties which arose through the attitude of the Eastern States over the importance of landing troops at their home States as rapidly as possible, and avoiding delays to transports, it is considered inadvisable to permit any communication whatever between the shore and incoming transports."

Now, Fremantle Harbour is the most facile for berthing in Australia, and there would be little loss of time compared with Adelaide, Melbourne and Sydney. Yet the troopships were berthed at all those eastern ports, while Mr. Watt's order for Fremantle was "no communication whatever between the shore and incoming transports." We learnt, subsequently, that the real reason was to punish Western Australia, and also because the soldiers were allowed a certain amount of pocket money on coming ashore, which they naturally spent, and Melbourne interests especially coveted that loose silver; hence the prohibition against berthing at Fremantle. It was on a par with the closing of the Blackboy camp in Western Australia, and the transference of the Western Australian recruits to Broadmeadows, near Melbourne—a change which was quite unnecessary, for the actual saving was trivial, while at the same time the Defence Department, then under Senator Pearce, was guilty of gross extravagance (see the Royal Commission's report on the conduct of the Defence Department). And so it is with everything that can be seized, irrespective of the rights or interests of this State; and where a thing coveted cannot be directly annexed, it is indirectly attacked. The establishment of a Commonwealth Savings Bank in opposition to the State Savings Bank was a scandalous encroachment upon State functions and State interests. The State Savings Bank was of enormous value in financing the farmers and settlers on Crown Lands through the Agricultural Bank and the Industries Assistance Board, and any attempt to divert the Western Australian people's money from the State Savings Bank into the Commonwealth was a distinct breach of the Federal sentiment, which induced us to sell our birthright to the confidence tricksters of the east. . . . When we look back at the 24 years of Federation, we ask what has it done for Western Australia, and we realise that it has done nothing but bleed us; in fact, Eastern States exploiters seem determined to uphold the White Australia ideal by bleeding us white. True, we have had doles: the five-years State tariff against the eastern dumpers, and special grants of money. But these were not gifts; the money was taken from us with one hand and given back with the other. Indeed, we had to prove that owing to a larger percentage of masculinity, especially before the war, we were entitled to a special return, or we should never have received those doles. . . . As ex-Premier, Sir James Mitchell, said in Parliament, when discussing the State's disabilities, "Everything they said would happen under Federation has not happened, and everything they said would not happen, has happened." For all our sacrifices—our lost autonomy, our lost resources—what have we got out of Federation? Absolutely nothing. Does the Commonwealth defend Western Australia? Not in the least. . . . We cannot discover one single benefit that Federation has conferred upon us, but many disadvantages. When we come to consider that the Commonwealth has dropped £11,000,000 in the Northern Territory, incurred £4,000,000 waste in building the East-West railway, about £12,000,000 waste in soldiers' homes, something like

£30,000,000 in an inflated bureaucracy, counting from 1915 only; £2,000,000 in a wild-cat capital, probably £50,000,000 to £100,000,000 in extravagant war administration in Australia; £11,327,126 in a mad shipping venture; £3,000,000 a year in the sugar ramp, over at least ten years—equal to £30,000,000—and God knows how much in invisible leakages and extravagances, can you wonder that Federation is a ghastly failure, and that Western Australia is determined to get out of the quagmire of Federal finance? The items enumerated total £153,000,000 of absolute loss to the people of Australia, although Melbourne and Sydney get enough loot out of the waste to more than pay their whack of it. We are not blaming any particular party for this reckless, dissolute, and criminal squandering of the people's money—all parties are equally culpable; but that is no consolation, for it shows that we have no party in the Federal Parliament who will block the ever-increasing prodigality.

Q. 1889. What is your remedy for all this?—I have advocated Secession.

Q. 1890. What do you mean by that?—Withdrawal from the Commonwealth, and the restoration of our complete autonomy and State sovereignty, the same as we had prior to Federation. I may add that, personally, I am extremely sorry that Federation has degenerated to what it is. I was born in the Eastern States, in Victoria, and I had a great idea of Federation as an ideal. I voted for Federation, but it has become so grossly mercenary, and this State is suffering so intensely in every direction, that I see no remedy, except secession.

Q. 1893. You have been advocating Secession for many years now, have you not?—Since 1918.

Q. 1894. That is seven years. Is the feeling against Federation very general in Western Australia?—Yes, it is.

Q. 1895. You would not regard it as a remedy if you had your own tariff?—The tariff concession could not be a remedy, but only a palliative. If we had our own tariff for all time, subject to certain agreed restrictions, it might make us more satisfied. However, the administrative interferences, what one of the Bunbury witnesses called the pin-pricks, are so frequent and so persistent as to have become extremely irritating. One gets skin disease from them.

Q. 1900. Would it not be better for you and your fellow-journalists on the "Sunday Times" to throw your weight in with those who want to try practical remedies rather than withdraw from the Federation?—I would like to see a remedy, I confess. I am not a rabid Secessionist; not one who wishes to secede for the mere sake of cutting away from the Eastern States. I am a Secessionist because, under present conditions, Western Australia's position is intolerable. Federation is bearing too heavily on this State. The Commonwealth, when constituted, took over no expensive obligations whatsoever, but it did not take over any of the factors of expense, such as police, education, and health. I have those factors somewhere enumerated; there are heaps of them. Of all the State functions that cost money, and produce no revenue the Commonwealth has undertaken none. The Commonwealth has established a Health Department, apparently because the Commonwealth has too much money and does not know what to do with it. The Commonwealth appoints boards, and increases the Federal Public Service, and starts more Federal departments, just because it has the money, and, I suppose, reckons it has to spend that money."

(E)

TUESDAY, 31st MARCH, 1925.

H. R. SLEEMAN, of Whim Creek, Sworn and Examined.

Q. 395. I am a mining engineer, trained at Ballarat, with 30 years' experience in various parts of the world, of which 25 years has been managing. I have now been in this State eighteen years, representing a number of London mining companies. I have also pastoral, agricultural and commercial interests in the State. For over 30 years I have been a student of economic, social and political matters, and have published many essays on these—including a number on the subject under consideration. Firstly I would point out that the evidence, so far as I have seen, is all based on too narrow a view. It is restricted to the disabilities of the State as it affects the residents of it. The basis should, while paying due regard to that feature, be widened to embrace the well-being of Australia as a whole. The economic disabilities under which the State suffers has prevented, is preventing, and must continue to prevent it from becoming developed and peopled. Australia's interests are not served by its western half being practically empty. The idea, therefore, which some seem to hold—that resistance to conditions that must keep the West empty—is anti-Australian, is utterly fallacious. The reasoned belief that Australia is suffering from over centralisation around Melbourne and Sydney, and that its worst feature is the effect on the West, is compatible with the highest Australian patriotism. That belief, which is held at least by some, including the writer, leads to the conviction that those conditions ought to be altered—without Secession if possible; with Secession, if necessary. But apart from the foregoing, by what right or on what grounds is it presumed that the belief in and desire for Secession is anti-Australian. Was it anti-British for Australia to desire to become self-governing? Was it anti-Australian for Victoria and Queensland to separate from New South Wales (which then meant Australia)? Were the inhabitants of these States worse Australians before 1901 than they have been since, or are now? For practical purposes this State is as far from Australia's economic centre of gravity as is New Zealand; can it be said that New Zealand ought to be in the Federation, that she is anti-Australian, because she is not? Can it be doubted that she is more prosperous outside Federation than she would be inside? Having seen the effects of a quarter of a century of Federation, would any one have the hardihood to now propose to New Zealand that she enter it? To every question the answer is "No." . . . People do not exist for systems. Systems should exist (and be designed) for people. That Federation is injuring this State, you can now need no demonstration. The evidence before you must be overwhelming that the conditions—of a young and nearly unpeopled and undeveloped State of huge dimensions, having a fiscal policy imposed on it, designed, not for it but for others (and by others), a policy which heavily taxes practically all its existing and potential industries and helping practically none—are injuring it, and must continue to injure it yet more grievously. Every individual among us will know of numbers of families and individuals who have recently left this State for Melbourne and Sydney. That this particular effect of Federation—of preventing the population of the western part of the continent—is injurious to Australia should need no demonstration. The universal cry, shared in by its legislators, including

Ministers, is that our great empty spaces are our danger, and will become our reproach if not filled; that we must secure immigrants to fill them. That cry is the reputed *raison d'être* of the sugar subsidy. The West will not fill up under existing conditions. That the effects of Federation are injurious to the individuals of this State also should need no demonstration. The impoverishing of the State means the impoverishing of the average individual. Some, especially manual workers, with no property, can go to Melbourne or Sydney. But even so, they leave relatives, friends and connections behind. The move costs money and lost time, and means a new start—perhaps a new avocation. To most people such a move means a great loss, only to be faced when their affairs are desperate. For those who remain, their chances in life are cramped, their land lessened in value, their businesses restricted. The dead weight of economic stagnation is felt by all. The conditions created by Federation have made it impossible for the State to square its ledger in spite of high taxation. The deficit is great—and growing. If the deficit is yet to grow (even if it does not) its redemption seems impossible, especially if present conditions remain. A determined attempt to redeem might well mean further strangulation of industry, and therefore individual losses. The attempt would indeed almost certainly fail, for the strain would discourage enterprise, driving both capital and people out of the State, and making the situation more desperate than before. It is common talk that we must secure not only immigrants, but capital with which to develop our resources; but what capital will come into Australia to-day for industries dependent on export for their market, seeing that the production costs of these are made prohibitive in the interests of other industries? This means that capital will not come into this State. The special taxation on industries in this State (*vide* the foregoing) and the prospects of increased taxation in future (*vide* the growing deficit) is a further deterrent to capital. On this matter I speak, not only of obvious deductions, but of that of which I have had experience. I have lately found it impossible to interest large sums of capital for mines, etc. A few small sums have been secured with great difficulty. . . . There are plenty of ways in which the Australian spirit can be cultivated without the present fiscal conditions. Indeed, these conditions being unjust and oppressive, they must steadily and surely create a spirit of bitter resentment towards the States responsible for them. That spirit already exists and is growing. Nor, could it be wished otherwise, for complacency and docility in the face of injustice would indicate absence of virility or of intelligence. A section of the people is for secession. A bigger section desires it but believes it impracticable. Gradually, familiarity with the idea will remove that belief. If existing conditions continue, the secession movement will grow in numbers and force of feeling. Any student of history must recognise this as inevitable, even if the immediate facts did not proclaim it. . . . In order to make it clear that I have no bias colouring my convictions, I will state that in principle I favour Federation. I would welcome a much wider Federation among men of similar race and ideals than that of Australia if such were feasible. Experience shows, however, that man is not ready for very far-reaching Federation. He is too narrow-visioned, ignorant and selfish—often too greedy and grasping—for such to operate successfully. For this reason, geographically separated areas have up to the present time tended to separate politically. For that reason there is no Federation of the Empire. To dogmatically assume, therefore, that the existing form of Australian Federation is right or necessary as applied to this State is absurd. The matter is one

for study. I submit that man is not in all cases rightly guided slavishly by the past, distant or near. So doing is to degrade and insult his reason. Changes should be made when man's reason indicates that they are required. Facts and agreements between peoples are not everlasting, and never have been. They are made as arrangements believed to be for the best at the time. If they prove otherwise it is proper and wise to revise them. . . . I submit that the view that this State should be bound for all time to the Federation, whatever injury is thereby caused to it, or to Australia, by the stronger States through Federation, is untenable and against conscience and history. But the fact is that injury and injustice has so been caused here. Federation has not proved the thing that was promised to the people of this State when a majority was induced to vote for it. It has proved a Federation only, not a Commonwealth as was promised, and as it has been called. The Federal fiscal policy was not foreseen. Certainly its effects were not. It would be unreasonable and unjust to bind people for ever to a pact the consequences of which were not perceived at the time, even though the future policy was correctly anticipated. That highly placed persons should meet such a case with bald and unsupported statements or denunciations to the effect that it is unpatriotic and anti-Australian, is deplorable. If the people to whom such are addressed have any degree of intelligence, such statements must excite their resentment and contempt. They must intensify the growing exasperation and feelings of revolt, for they indicate little hope of the State's wrongs being considered impartially, intelligently, or with wide vision. That this State should be accused by papers or men representing Melbourne and Sydney manufacturers of displaying disloyalty if it revolts at the effects of the Tariff is farcical. As well might Romans have accused a subject state for revolting against payment of tribute. In their case they did not add hypocrisy to the exercise of their power for their own enrichment. Nor was their tribute extorted from States which had joined it voluntarily and in good faith that they would receive equitable treatment. Federal fiscal policy to-day appears to be run on the old Roman principles of "spoils to the victors" and "woe to the vanquished," the victors being those who can marshal the most votes in the Federal Parliament. The fact that the tribute is levied on the exporting industries of their own States and is not, *per se*, applicable only to this State, does not alter the case. That those industries are unable to escape the tribute is no reason why we here should pay it; and the tribute in our case sets up conditions that greatly increase its paralysing effect. The tribute leaves this State. It does not leave the big States. It is one thing to shift population to Melbourne and Sydney from the countryside of Victoria and New South Wales; it is another to shift it from this State (from the west half of Australia) to the east. It is different both from the point of view of the States concerned (as States) and from that of settling and defending Australia. . . . This is no indictment as to the intentions of the majority of eastern Australians. It is probable that they are willing to do justice. But we are not, in this matter, dealing with them. They know nothing about it. We are dealing with the manufacturing and city interests and with the leaders of the political Labour party. These have control of the Press and the political machines. Can we expect reasonableness or equity from them in fiscal policy? We have received none. If it could be pleaded that the said parties are ignorant of the harm done to us, hope might exist that with the dispelling of that ignorance they would change their policy. But who can believe in that ignorance? It is inconceivable

that men with brains enough to scheme for a taxing policy that benefits themselves can be ignorant of the obvious fact that others must contribute the loot that they receive. . . . The present conditions should not be continued. They are on unsound foundations, and can only grow worse. There is no prospect of achieving solvency from the present insolvency if they are maintained. It seems to me that this subject should not be dropped without denouncing the part Australia (or the bigger States therein) is playing. Whatever the intention may be, its acts in this matter must appear contemptible; if continued, the world must before long recognise them as such. Britain will soon know the position, though she seems to only very partially perceive it yet, if this Commission does not result in a drastic change of conditions. Apart from the State issue, it is iniquitous that people should be induced to emigrate from Britain to go on the land in Australia in view of Australia's economic policy. For that policy its land is already over-peopled. When this is perceived in Britain, the effect, especially to this State, will be highly detrimental. Contrast the behaviour of Britain to her young colonies for the past century (including Australia) with that of the Federation to this young State. She protected them without charge, forced no tribute from them, gave them freedom of trade and self-government as soon as they desired it. What a contrast to the picture that has been presented to this Commission."

APPENDIX No. 57.

Commonwealth and States.

PER CAPITA PAYMENTS—CONSTITUTION ALTERATIONS—
FEDERAL PROPOSALS CRITICISED BY PREMIER.

Extracts from an Official Pamphlet published under the above title on 24th June, 1926, by the then Premier of Western Australia (Hon. P. Collier, M.L.A.):—

" There is an insistent demand on the part of the Federal authority to-day for increased powers. The people are asked to trust implicitly the Federal Government, but we must be assured beyond all possible doubt that the increased powers sought will not operate harshly in their application to the States and the taxpayers generally. . . The Federal Government is endeavouring to obtain powers which the framers of the Constitution explicitly and deliberately decided it should not possess, laying it down as a fundamental of the Federation that the States should enjoy a share of the Customs and Excise revenue. The States must, therefore, strenuously resist the proposed Federal encroachments, because the ultimate and inescapable alternative is the loss of the State's sovereign powers. . . . Federal policy is directed towards the aggrandisement of the Federal authority. . . . The direct taxation measures of the Federal Government were only temporary measures, designed to meet an emergency created by the war. It has been proved by recurring annual Budget statements that the Federal Government has collected more money than required to carry on the legitimate functions of Government, and it follows that there must have been a gradual diminishment of direct Federal taxation. In a few years, therefore, the field invaded by the Federal authority would have been automatically restored to the States, and the people would have been entirely relieved of the Federal impost. The Federal Government is fully aware of that position, and it desires to do something which would rob the States of their rights and power to make them subservient to the supreme authority. . . . It will be noticed from the telegraphic reports that Mr. Bruce has refused to meet the representatives of the States now assembled in Melbourne because they would not agree to his ultimatum that they must first accept the principle laid down by the Federal Government. That is the one thing to which the Premiers could not agree. We attacked the proposals because the principle involved is opposed to the spirit of the Federation. If we had accepted the principle that the Federal Government has the right to the whole of the Customs and Excise revenue, we would have placed ourselves entirely under the heel of the Federal authority. In view of the attitude of the Prime Minister, I think it is evident that when he dragged us to Melbourne he had completely made up his mind not to acquiesce in any alternative to the principle he now says is the first—and practically the only—consideration. The conference was a conference in name only—a sham so far as the Federal Government was concerned. The aim of the Federal Government for some time past has been in the direction of gradually depriving the States of their self-governing rights. I have not previously stated—and I think I ought to do so now, in view of what is transpiring—that when I was in Melbourne recently I had a discussion with the Federal authorities

in respect to the agreement under which the Federal and State Taxation Departments were amalgamated for the purpose of tax collection. It was, at the time of that proposal, suggested by the Federal authority that the State would materially benefit, and it was largely on account of the inducement held out by the Federal Government that the State had agreed to the amalgamation proposal. The work was at first undertaken at a cost to the State of £13,000 per annum, but, unfortunately, no provision was made whereby the State would be guaranteed for a period of years against a Federal demand for an increased amount. Very soon, therefore, the Federal Government discovered that it could no longer collect the money for the £13,000; and the best figure I could obtain when in Melbourne was £30,000 per annum—more than double the figure originally accepted and paid by the State. I mention that to show that the Federal Government, once it has inserted the thin edge of the wedge, does not hesitate to demand more at the expense of the State. . . . I might also mention, as evidence of the octopus-like policy of the Federal Government, the attempt to take from this State the Perth branch of the Royal Mint, and to secure the business of the State Savings Bank. The State Government refused to agree to those proposals, which would have further operated to the disadvantage of the people of Western Australia and contributed to the gradual policy of Federal aggrandisement. In view of these facts, which indicate the determination of the Federal Government to ignore the rights of the States, what would be the position if the States were so foolish as to give the Commonwealth increased powers? We are asked to trust the Commonwealth. Unfortunately we have learned by bitter experience not to trust the Commonwealth. Just as the Federal Government had apparently determined that the States should accept financial proposals thrown at the Premiers and the Federal Parliament without adequate time for consideration, so there is now the same unjustifiable haste in endeavouring to secure the passage of legislation designed to further increase the powers of the Federal authority in respect to industrial matters. . . . For my part, I feel I would be recreant to the duty imposed upon me as head of the Government of this State if I did not, definitely and earnestly, warn the people against accepting proposals which can have no other effect than make the burden they now carry infinitely harder to bear. Senator Pearce says that he refuses to entertain the criticism that the measure represents a step in the direction of unification or the nullifying of the powers of the States. I am convinced that the process of Federal shearing now suggested must inevitably hasten the day of unified Government. The people have not asked for these proposals; they are not to be given time to consider them; and I say emphatically that there is no justification for them. Western Australia's position, if the Federal Government succeeds with its financial and referendum proposals, will be that of a vassal State, her future prosperity entirely dependent upon a central Government sitting in Canberra. The position is full of danger, and I appeal to the people of this State not to allow their rights to be filched from them under the specious guise of benefaction. The Constitution is the safeguard of the States, and we cannot allow any alteration unless it can be clearly shown that there is both need and demand for alteration. To-day there is neither need nor demand."

APPENDIX No 58.

PARLIAMENT OF WESTERN AUSTRALIA
LEGISLATIVE ASSEMBLY.

Twelfth Parliament—Third Session, 1926.

ADDRESS-IN-REPLY.

*Extracts from Speeches by the Premier (Hon. P. Collier) and the
Leader of the Opposition (Sir James Mitchell, K.C.M.G.)*

(1) The PREMIER: I have refrained from saying anything in regard to the Federal Government's proposed withdrawal of the capitation grants to this State. I think the matter might be fully ventilated when the motion now on the Notice Paper comes up for consideration. . . . Certainly the matter ought to be discussed before the Federal Parliament closes, which will be next week, for I think it is well that they should know the opinion of this Parliament representing the people of Western Australia. I see no cause to alter the opinions I have expressed ever since the matter was first broached. The conference held in Melbourne, when the Premiers were called together, was really a waste of time, for the Commonwealth Government had determined on their policy before the Premiers met. Anybody who gives serious thought to the matter will recognise that it is the most important question that has come before this Parliament or the people of Western Australia for very many years past. Our financial future is wrapped up in the whole question, for if we should be deprived of a share of the Customs and Excise revenue, we would be at the mercy, not only of the present, but of all future Federal Parliaments. As the late Mr. Deakin so shrewdly prophesied, we would then be within measurable distance of unification. The question of unification ought to be discussed openly and by itself, so that the people might know what they are doing and whither they are drifting. The policy adopted by all Federal Governments for many years past has been one of insidious and gradual whittling away of the rights and sovereign powers of the States, and the making of the Commonwealth an overlord of the State by virtue of its financial strength.

Hon. Sir. JAMES MITCHELL: Not by virtue of the Constitution.

The PREMIER: No, because of its financial strength. As with individuals, so with Governments, where the power of money lies there will the influence of government rest as well. I am certain, though it may not be intended, and doubtless is not intended by those who propose to make the change, that change tends in the direction of unification. Whatever the intention, that will be the inevitable result.

Hon. Sir JAMES MITCHELL: They have the gun; we want the thunder.

The PREMIER: I hope we shall retain as much of our self-governing rights as we can. As said by the Leader of the Opposition the other night, it will be a black day for this State when we are entirely governed from Canberra, or any other centre of Eastern Australia. If left alone to work

out our own salvation we have nothing to fear. . . . In the whole of our dealings with the Federal Government and our attitude to the Federation, our first duty is to this State, and to the people of this State, whether it be the matter of the transfer of the North-West, the abolition of the per capita payments, or any other question we are called upon to decide. Personally, I have not much doubt as to the attitude of the great majority of the people of Western Australia on the two matters I have specified. We could not get the same freedom and opportunities to develop our resources in our own way when controlled from Canberra or from Melbourne as we could if controlled by our own people through the Parliament of Western Australia. . . .

(1) Hon. Sir JAMES MITCHELL: In this Federation we are of more importance than the Federal Government. We have the important things to do. We have the development to carry out. The Federal Government could not come here and so much as drive a peg in the ground without our permission. It was never intended that the Federal Government should do more than a few things. Under the Constitution, their rights to do such things were limited, but were not defined. Therefore, they have added and added to them these big jobs, in order that they might deal with them with a good deal more satisfaction to themselves. . . . This ham-stringing of State Governments has been going on from day to day. It is impossible for Australia to develop except by the aid of State Governments. . . . This territory is ours. They cannot take over the northern part of this State without the consent of the people. It is ours to look after with the help of the people. It is our duty to protect the people, police the country, administer justice, and attend to the wants of our citizens in a thousand different ways. For these services there is no remuneration. The remunerative services belong to the Federal Government. For every letter that passes through this State they are paid. The trade of the State is created by the State Government. The very taxes which the Federal Government collect are due to the activities of the people of the State, and largely due to the policy of its Government. When we remember our responsibility to the people of the country and to Australia in general, we shall see that treatment such as is proposed is not fair either to us or to Australia. The manufacturing centres in Australia must have customers, and these must be found within Australia. No one outside Australia could buy the manufactured goods at Australian prices. We have to remember the disadvantages under which we are suffering. The question of the future and the development of Australia is almost an international one. I will show how urgent it is that the British territory we have the honour to govern should be developed as soon as possible. I am concerned about the future. After 25 years' experience of Federation, and finding it is not satisfactory, that it is hampering rather than helping us, that neither in the spirit nor in the letter is the Constitution obeyed, that none of the things we were told would happen has happened, and that practically all the things we were told would not happen have happened, I do not know why we should continue under Federation unless we get a better arrangement under the Constitution.

Mr. THOMPSON: Can we get out?

Hon. G. TAYLOR: We can try.

Hon. Sir JAMES MITCHELL: We should try first to get justice and decent treatment. It is unthinkable that we can be tied to this chariot wheel of the Federal Government for all time, if it is bad for the people of Australia in general, and of Western Australia in particular. I think we can get out. Norway and Sweden were governed jointly more or less in times past, but they managed to separate. There is nothing that we can do that we cannot undo if we go the right way to work. It will be a slow business, and I do not know where we shall find the men with sufficient money and leisure to devote themselves to undoing the Federal knot. I should like to see this country free. If we had remained free we should be in a better position. When I hear reference made to the great development that has occurred in Western Australia because of Federation, and hear the claims of Federal Ministers concerning it, I shudder to think what may happen and dread the thought of the State being further hampered by any more Commonwealth taxation. It is true that because of Federation we had to develop, and create wealth out of which to pay Federal taxes. To that extent Federation has done us some good. All our work has been done under great difficulties. Mr. Deakin foresaw what would happen. Amongst some letters to the London *Morning Post*, published in 1902, we find one in particular that ought to be remembered.

The PREMIER: It was most prophetic.

Hon. Sir JAMES MITCHELL: Yes. Mr. Deakin said "As the power of the purse in Great Britain established by degrees the authority of the Commons, it will ultimately establish in Australia the authority of the Commonwealth. The rights of self-government of the States have been fondly supposed to be safeguarded by the Constitution. It left them legally free, but financially bound to the chariot wheels of the central Government. Their need will be its opportunity. The less populous will first succumb, those smitten with drought or similar misfortune will follow, and finally even the greatest and most prosperous will, however reluctantly, be brought to heel. Our Constitution may remain unaltered, but a vital change will have taken place in the relations between the States and the Commonwealth. The Commonwealth will have acquired a general control over the States, while every extension of political power will be made by its means and go to increase its relative superiority.

The PREMIER: That is what is taking place.

Hon. Sir JAMES MITCHELL: Mr. Deakin was one of the framers of the Constitution, and one of the greatest men Australia has produced. The Constitution was two years old when this was written. Were we deceived when we were induced by our votes to enter Federation? If we were, we have a right to get out, and it is our duty to endeavour to get out. I do not wish to talk secession now. It is our duty to our children and our children's children, and to Australia and the Empire, that we should have the right to develop our own State and people it in our own way. . . . We live here and meet our own people, and know them. Commonwealth members are sheltered. They cannot be approached, for they are 2,000 miles away. I do not know why we should not retain the right to govern ourselves. We voted ourselves into Federation, and must fight our way out of it if we are to get on.

Hon. G. TAYLOR: And do it before we get too old.

Hon. Sir JAMES MITCHELL: I have told members how little the Federal Government enter into our daily lives. We are responsible for such matters as education, police, the administration of justice, health, transport, and so forth. . . . We are more important than the Federal Government. It was never intended that there should be any overlord. There cannot be any partnership, but there may be co-operation. The duty of the Federal Parliament and our duty is to co-operate.

The MINISTER FOR LANDS: In the Federal Parliament they do not think the same as we think, though.

Hon. Sir JAMES MITCHELL: No; but let us insist that that is our right; and if we cannot get justice done by the State, let us stand by the State and see what we can do. God knows I do not want

The MINISTER FOR LANDS: We will go down to-morrow and collar the Customs Department!

Hon. Sir JAMES MITCHELL: I do not know about that.

The PREMIER: As soon as we get the bridge fixed up, we will make them step along! You know the importance of lines of communication.

Hon. Sir JAMES MITCHELL: Bit by bit we have been driven into this corner. Our backs are towards the wall, and we have to see that justice is done to ourselves. . . . The Federal Government reap the harvest; the State Governments are the gleaners. That is neither good for Australia nor for us as a State. The Federal authorities have taken all the services that pay, and we are left with the services that cannot and are not intended to pay. No one goes to the Federal authorities with requests to provide for charities, for hospitals, police protection, or for work for the unemployed. Those responsibilities rest with the States; the Federal authorities have the cash. . . . I doubt if we could find half a dozen men in the Federal Parliament who really do oppose protection. A good many talk against it, but they do not vote against it.

The PREMIER: There are about two only.

Hon. Sir JAMES MITCHELL: For the farmers there will be no escape; they will have to shoulder the full force of the Federal indirect tax and the full force of the direct taxation as well. This, too, in a country of primary production, not of manufacturing! Obviously the primary producers will have to pay the piper.

The PREMIER: They get both barrels.

Hon. Sir JAMES MITCHELL: By God, yes. The Almighty alone knows how the farmers will shoulder this burden of taxation.

The MINISTER FOR LANDS: The only way is by means of a revolution. Let us get at it as early as possible.

Hon. Sir JAMES MITCHELL: The burden that now must fall upon the 9 per cent. of the taxpayers will be added to year by year. If the price of wheat and wool were to slump, I do not know what would happen.

The PREMIER: That would upset their calculations as to our incomes.

Hon. Sir JAMES MITCHELL: And if that happened, who would suffer most?

The PREMIER: The State would go to pieces.

Hon. Sir JAMES MITCHELL: Of course. We must not take the risk

The PREMIER: I think we would be entitled to go to any length in resisting it.

Hon. Sir JAMES MITCHELL: It is very difficult to get the people generally to realise what the true position is respecting this or any other proposal. . . . In my opinion there are two countries in the world suffering to-day—China and Australia. China is suffering because there is no government at all, and apparently the country cannot be governed. On the other hand, Australia has too much government. Why the devil do we want to set up another king over us? The State Parliament is enough. With our population we can attend to our development; yet 250,000 people were foolish enough to say they wanted another lord. . . . We cannot pay too much for good government, but bad government is dear at any price. The fact is that Federation has set up another authority that is not helpful; it is harmful and retards our progress.

APPENDIX No. 59.

THE ROYAL COMMISSION ON THE CONSTITUTION, 1927-29.

MINUTES OF EVIDENCE.

Extracts from Evidence given by:—

- (i.) Professor E. O. G. Shann, M.A.
- (ii.) Mr. A. T. Chandler.

(i.)

WEDNESDAY, 16th NOVEMBER, 1927.

E. O. G. SHANN, Professor of History and Economics in the University of Western Australia, affirmed and examined.

(Page 457 *et seq.*)

By the Chairman: Will you mention some of your degrees and qualifications?—I am Master of Arts of the University of Melbourne.

You have occupied the Chair of History and Economics in the University of Western Australia for how long?—Since 1913.

Have you lived in Western Australia since 1913?—Yes.

During that time, and before, you have given considerable study to various questions connected with the Commonwealth Constitution—at all events, from the point of view of economics?—Yes.

I understand that you have prepared a statement?—Yes. I wish first to put before the Commission the economic background of any Constitution-making or mending, as I see it. There are, I submit, three facts about these Australian communities so fundamental that any plan for national government which does not shape itself to them must set up stresses between political and economic aims which cannot but retard development. The first point is that, economically, the Australian communities remain after more than six decades of encouraging secondary industries by tariffs and bounties, communities which pay their way in the world by surplus production of the necessities of life. So long as we use capital brought in from Europe and America, we cannot be a hermit and self-sufficient nation, and until our secondary industries make up much leeway in competitive efficiency, they cannot find any substantial part of the exports by which we pay interest on our borrowing overseas, and buy there what we do not produce.

The second point is that, financially, external borrowing for the development and equipment of our territory is likely to be a transient phase. Unless we are prepared to mortgage every increase of our productive power, and, in so doing, to place our standards of living at the mercy of our creditors, any regulation of industry should, therefore, keep steadily in view the progress of the primary industries, from which must come, perhaps in the near future, the surplus of exports necessary to financial equilibrium when external borrowing—the export of securities—ceases. A margin of profit capable of attracting men into the primary industries, and

of stimulating them to find us in fresh capital, after such time, may be secured by levelling up methods of agriculture, and by eliminating pests and diseases; but any regulation of industry which imposes upon Australian industries increased costs not offset by increased efficiency, acts as a brake on the necessary expansion of the primary industries. By necessary expansion, I mean the expansion necessary to the provision of a surplus of exports adequate to pay the interest on our overseas debt. Any such regulation of industry—that is any regulation of industry which did not result in a corresponding increase of efficiency—would limit the advantage which these industries enjoy in the world's markets. Yet it is almost inevitable that the Australian communities will rely on such advantage whenever they are called upon to finance themselves. They have as yet no other resource.

The third fact is that, geographically, the Australian communities consist of (a) a continental mass in the east and south-east, containing a very wide range of resources, and perhaps capable in the near future of a degree of self-sufficiency comparable to that attained by France or the United States; and (b) two insular areas, in Tasmania and Western Australia, unlikely, for various reasons, to develop the status of supplementary economies. Eastern Australia seems to hold fast two ambitions, difficult though not impossible to drive abreast, namely, that of becoming an industrial country and that of keeping the North white. She has coal and water-power resources comparable in extent with those of Germany, but she labours under the disadvantage of being situated far from the world's richer markets. With higher standards of efficiency, however, her secondary industries may become exporters, or may, if I may use the word "mechanise" cheaply the tropical agriculture of Queensland, and so help the White Australia policy, at present in a somewhat negative phase. Tasmania is too small to pursue a course of her own. Assured communication with her big northern neighbours and a place in their Commonwealth seems to be accepted as her destiny. Western Australia, on the contrary, is like New Zealand in its insular detachment and its concentration upon primary production—only more so. Her power resources are smaller than those of New Zealand, and her isolation makes big industrial ambitions absurd. The energy of her people in primary production has been remarkable since she was granted self-government in 1890 . . . The Western Australian who knows the circumstances of his third of Australia cannot but seek a system of government which will not stand in the way of its maximum contribution to the solvency and many-sided development of the nation. He is well aware that Western Australia's entry into the Commonwealth was an historical accident, her leaders having been pushed and cajoled into it by two forces of external origin.

Exactly what do you refer to?—I refer to the pressure brought to bear upon Sir John Forrest and the "separate or federate" movement on the goldfields. Mr. Joseph Chamberlain, as Secretary of State for the Colonies, drew Sir John Forrest's attention to the position of Western Australia and the question of her entry into the Commonwealth. Mr. Chamberlain told him in so many words that in the event of Western Australia being unwilling to come into the Commonwealth, consideration would be given to the Coolgardie-Esperance movement, which would have cut off the goldfields, then the richest pocket of this State.

These external forces were: (1) the sentiment of Eastern Australian federalism domination amongst the new colonists, who outnumbered the original Western Australians during the critical years of the late nineties, and (2) the pressure in favour of a continent-wide union exercised by Downing Street, to whose voice the colonial leaders had been trained to defer. The Western Australian knows that even these forces could not ignore the peculiar circumstances of the West, and were led by them to open a way of retreat for Sir John Forrest, by granting special customs terms for five years, and by acceding to ten years of restraint on unification, through the Braddon Clause, for which similarly situated Tasmania pressed. But every turn in the unfolding of Commonwealth policy by a legislature in which the West has but a puny voice, and every recent decision in the interpretation of the Constitution by a High Court on which there has never sat a Western Australian, or a Tasmanian, or I believe, a South Australian judge, have justified the forebodings of Sir John Forrest that the unlimited financial powers of the Federal Government would be used, at the end of the probation, to override the limits set to its competence in legislation Nor can a community dependent on the export of primary products and remote from the limited market that Eastern Australia offers, view without impatience the raising of a high and ever higher customs tariff designed to encourage Australian manufactures by increasing their value in the sheltered market. No substantial benefits of such a policy can be felt in this isolated corner, whereas the whole increase in the values of protected commodities must affect the cost of production, and thus put a brake on the expansion of the primary industries serving the world's unsheltered markets.

In a third direction the working out of the Constitution has gone surprisingly beyond the intentions of its authors and imposed rules and standards on Western Australian development which are not native to its soil and circumstances, and may easily become galling in their incidence. I refer here to the awards of the Federal Arbitration Court, and the Navigation Act and regulations Concerning the Navigation Act, it passes my comprehension how an Act and regulations prohibiting the use by subjects of the Crown and Commonwealth of ships flying the British flag can be held consistent with a fundamental law (92) that trade, commerce, and intercourse among the States, whether by means of internal carriage or ocean navigation, shall be absolutely free. But I am not a lawyer. Seemingly, there is a difference between impeding trade by imposts levied through customs officials, partly to meet the expenses of government, and limiting it to vessels charging high freights in order to provide the incomes of seamen, officers, and shareholders who are thereby privileged far and above those who run ships on the ocean routes of the world, and carry on those routes Australia's exports and imports. Although so limited, interstate trade, it seems, is in the eyes of the law absolutely free. The farmer who may ship hay to Eastern Australia this summer, but not by vessels that would carry it almost at ballast rates, will no doubt find the distinction as strained as I do We in Western Australia, almost 2,000 miles away from the main body of Australia, look with envy at the freedom New Zealand has to use any vessels in trading with Australia Many of us envy New Zealand her autonomy to shape her laws according to her experience as an insular community.

The same logic that kept New Zealand out of the Commonwealth and enacted in 1900 temporary provisions to meet the peculiar circumstances

of Western Australia points to Secession as the remedy for a discrepancy between law-making opinion in Western and Eastern Australia, a discrepancy almost certain to grow wider, certain beyond any doubt to do so if the suggestions towards the increase of Federal competence, which show in every column of the evidence given at Canberra before this Commission, should be adopted. It is no answer to tell Western Australians that the special tariff provisions of 1900 were temporary. The only tenable ground for making them so was the assumption that within the period of their operation Western Australia would be assimilated in economic conditions with the older colonies. The episode of the gold rush would pass and leave a community essentially similar to those of Eastern Australia. The gold mining era has indeed passed, but the ineluctable facts of geography, climate and physical resources have maintained and will maintain the distinct character of this community. We are constantly told by candid Eastern Australians that we are not in their map. We accept the fact. We are also permanently severed in interests now that wheat growing for the world's market has become our premier industry, in which we must compete with Western Canada, the Argentine and other rivals who pursue efficiency in it with a keener concentration than does Eastern Australia. . . .

By Mr. DUFFY: Regarding the progress of Western Australia, you referred to the extra wheat yield in recent years. In what respect has the Commonwealth Constitution retarded that progress?—It has been retarded not so much by the Constitution as by the operation of the tariff. Let me correct that, however, by saying that I think the raising of a very big revenue by the Commonwealth has been a handicap on some of our industries. . . .

I want to ascertain clearly what is in your mind. Is your complaint against the working of the tariff or mainly against the operation of the tariff?—Yes, mainly against the operation of the tariff, but by no means entirely.

Do you think that the progress and development of Western Australian primary production would be greater if Western Australia were not part of the Commonwealth?—Yes.

On what do you base that?—We should have a revenue tariff designed to leave primary industries unimpeded.

Would that make for more production?—If you reduce costs, you naturally bring more land within the marking of profitable cultivation. . . .

To bring it down to bedrock, is it your contention that primary industry is all that is worth fostering?—I object to having to choose between primary industries and any secondary industries, but I would limit the fostering of secondary industries to those that can serve the efficiency of primary industries. In Western Australia, so far as we can see, the community is and must be devoted to primary industries.

Do you think there is nothing in the contention that the development of a home market will provide an outlet for primary production?—I have been reading of late a lot of the propaganda in the 'sixties in connection with the first protectionist movement in Australia, and I find no instance in which prophecies of the wonderful part the home market was to play in connection with our products that has been borne out by events, not one.

Do you think that our home market has developed in that period?—Yes, mainly in the service of big primary industries. Secondary industries confess their inefficiency by their inability to export and to face the world's markets, which means that they must live in the service of the primary industries that can do so. . . .

Do I take it the Western Australian point of view is not a protective tariff?—Yes.

Is not that likely to be even worse from a country point of view?—If you assume that all the revenue of the country is to be raised by its tariff; but there is no reason to make that assumption, for there are other methods of taxation besides that of a revenue tariff.

By Mr. ASHWORTH: I gather that in your opinion the development of Western Australia is being hampered by Federation under the conditions that exist to-day?—I do not deny that a number of Federal grants have been made to Western Australia recently to obviate the disabilities under which we labour.

But you are speaking of certain hampering influences from which Western Australia is suffering to-day, and you attribute that in some way to Federation. Is that so?—Yes.

I used the words "under the conditions that exist to-day" advisedly. Could the conditions be altered so as to remove the hindrance?—The hindrance may be inherent in Federation itself. It may be the only remedy would be secession. On the other hand, it may be due to Federal legislation, or to some provisions of the Constitution—or to the interpretation of them?—When I speak of provisions of the Constitution, I include the interpretation of them.

Will you let us know specifically to which of those or any other conditions you attribute the cause of your trouble or grievance here?—In the first place I was at pains not to put forward specific grievances against the Federal Government. I was at pains to put forward a general case against the working the Constitution, because of our isolation and our dependence on primary industries. I followed that up by mentioning two or three directions in which the Constitution has worked adversely, and I also elaborated the point regarding the tariff. A tariff designed to stimulate the growth of secondary industries in a community 2,000 miles away cannot be helpful to a community living by primary production for export. That is the general case against the tariff. . . .

By Mr. BOWDEN: You say you were pushed into the Federation?—I have explained that. We were pushed into the Federation partly by the goldfields vote and partly by Mr. Chamberlain.

You had a referendum here and carried Federation?—Yes; but when Western Australia got self-government she had 49,000 people, whereas in 1900, a few months after the referendum, she had 184,000 people. The bulk of the increase had come from the Eastern States.

It is still here?—The children are here. Most of these people have become Western Australians. At that time they were full of enthusiasm for the Eastern States, for the Federal movement, for the idea of one nation, one continent, and one destiny. Man does not live by bread alone, but mainly by catchwords.

By SIR H. COLEBATCH: Is it not a fact that the settled portion of Western Australia voted strongly against Federation?—Yes.

By Mr. ASHWORTH: I understand the trouble is partly the legislation in the nature of the tariff, and possibly the industrial legislation?—Most of all it is a *malaise* due to the fact that we find ourselves under a distant government. Western Australia lived from 1829 to 1890 under the Colonial Office, always governed from Downing Street. Western Australia for ten years had self-government and responsible government, and a period of magnificent progress. Since 1900 it has again been under a distant government, and the sense that that government is distant grows stronger and stronger from such things as I have instanced, the tariff policy and the interpretation of the Constitution by a court in which no Western Australian has ever had a part or lot. But the sense itself, I submit, results from the unavoidable fact that we are a community as far from Australia as New Zealand is. There are 5,000,000 people in the three mainland States of Queensland, New South Wales and Victoria, while the odd million of our population is scattered in three more or less detached communities, South Australia is only semi-detached, but Western Australia and Tasmania are completely detached. There are less than 400,000 people in Western Australia, and we cannot but feel that we are not on the map of Australia, that we are not taken into consideration. We know that by little symptoms, every day of our lives. It is that main sense of living in another country that I speak of. I could give you specific instances in these two big things

I was interested to get your view of that point. You know, of course, that in the 1923 Premiers' Conference an agreement was arrived at between the representatives of the States and those of the Federal Government to frame an amendment of the Constitution which would embody a list of the interstate industries, and also the principles upon which the list was to be determined and revised. You remember that, of course?—I know there was some such conference.

And then do you know that when the Attorneys-General, Federal and State, endeavoured to define the principles, they could not agree; that this principle of migration that you speak of was considered to be altogether inadequate; that, in fact, it is almost impossible to get a definition, a proper dividing line. Surely you must realise that if the matter were easy it would have been done long ago?—No, I do not realize that. . . .

By Mr. BOWDEN: Do you consider that Western Australia is to be permanently a primary producing State only?—As far ahead as we can see.

Do you think that there is any great future ahead of any country which depends solely upon its primary production?—Your question implies that we must think of ourselves here in Western Australia as a separate and more or less independent community.

I am talking about the whole of Australia now?—As regards Eastern Australia I admit that it has the elements of a many-sided industrial community in its resources.

Is not that only the natural evolution of States?—If they have the resources, but not otherwise. Must every community in the world become a big centralised industrial nation, producing its own motor cars and its own machinery?

Every nation which desires to develop must?—I doubt whether we in Western Australia have the ambition to become a great power. We are content with our place in the British Commonwealth.

By Mr. ASHWORTH: But will not you inevitably develop just as the Eastern States have done, your secondary industries arising from your primary ones?—Why should that be so?

Why should not the secondary industries so develop?—To the extent that it is necessary to carry on the primary industries, yes; but I do not see any reason why we should attempt to become exporters of secondary products, which is what eastern Australia aims at doing.

By Mr. BOWDEN: When you say that, geographically, Australia consists of the eastern or south-eastern States, on the one hand, and of the two insular States of Tasmania and Western Australia on the other, do you mean that there is no community of interest between those States?—There is some community of interest; but I think there is a real division of interest between Western Australia and eastern Australia at the present moment, in our greater concentration upon the production of primary products for export.

You do not admit that is only a stage in your growth as a State?—I think it is likely to be a much longer stage—an indefinitely lengthened stage—in the case of Western Australia, because of two things: First, the slowness of power resources, and second, our distance from any market. Why should a manufacturer seeking to establish a secondary industry in this group of communities pick on Western Australia. He would be remote from his two markets—Australia and New Zealand. He would have a comparatively tiny home community.

At the present moment?—Well, is the community likely to grow to any numbers comparable with those in the south-eastern section of Australia. Look at the rainfall map of Australia.

By SIR HAL COLEBATCH: But if it is to grow, must not it be by the unhampered development of its primary industries?—I should say so. That is my contention

Do you think that your 400,000 people can, within a reasonable time, develop the whole of this great State of Western Australia, without Commonwealth assistance?—Independently of all Commonwealth interference? Yes?—I do.

By SIR HAL COLEBATCH: You mean, if you are free from the disabilities imposed by Commonwealth legislation?—Yes, by sweeping away disabilities as well as grants, tariffs as well as gifts.

By Mr. BOWDEN: You have 1,000,000 square miles of territory, and 400,000 people to develop it?—Yes, but 87 per cent. of those people are within an area from a little north of Geraldton to about Esperance.

And any development which has been made lately has been in that same area?—But it is true all round Australia that the tendency is to concentrate upon the better-watered areas. We have made our exploration of Australia; and we have tried out the inner areas; and, on the whole, the population in every part of Australia tends to concentrate into the better-watered areas, and to make a more intensive development there. But I think Western Australia's record as regards pastoral development in the last twenty years will bear comparison with that of any State. That is to say, there has been more new pastoral development; there has been a greater proportionate increase in our wool and sheep yield than anywhere else in Australia.

Then you have no disabilities as compared with New Zealand?—We have a disability in our trade with Eastern Australia. Being inside the

Federation puts us at a disadvantage in comparison with New Zealand. I do not say that we are in competition with New Zealand.

You would be at a disadvantage if there were any competition?—But why wait until there is competition between us before giving us equal treatment. Take the case of hay. It is just conceivable that New Zealand may be able to sell hay to New South Wales during this summer and she can ship hay to New South Wales by any vessel which comes along; but we, if I understand the position aright, must either send the hay over the trans-continental railway or on the interstate shipping companies' vessels. . . .

(2)

MONDAY, 9th MARCH, 1925.

A. T. CHANDLER, Leader Writer for the "Sunday Times," sworn and examined.

Defence, which is really self-preservation, is a ghastly joke so far as Western Australia is concerned. There are no military aeroplanes in the West, all being concentrated around Melbourne and Sydney. We have no mine-laying corps, no submarines. The whole of the western half of the Australian coastline is absolutely undefended; from Adelaide to Albany, from Albany to Fremantle, from Fremantle to Broome, from Broome to Darwin, and from Darwin to Thursday Island there is not a single unit of effective coastal defence. An enemy could land an army anywhere between Fremantle and Darwin, without opposition. An enemy cruiser could suddenly appear off Fremantle, send up Moth 'planes and drop poison gas bombs and explosive bombs on Perth, loot the metropolis and be off before the air squadrons around Melbourne and Sydney could get so far as Port Augusta. Federation was chiefly established to defend Australia—Western Australia included—and to have free trade between all the States. It has failed in both respects. We are undefended—abandoned to the first predatory power that chooses to poison us and plunder us. During the war the western half of Australia from Albany to Darwin was defended by the Japanese Navy, which also policed the Indian Ocean after the smashing of the Emden at Cocos Island. . . .

Whether the powers of the Commonwealth are increased or not, the only remedy for Western Australia is secession—that is, to resign from a partnership that is all one-sided. At present we are a tribute State and nothing else, and the drain upon our resources is too great a tribute to pay for a defunct sentiment. The idea of Federation has been destroyed by the venality and rapacity engendered under a policy of predatory protection, and as we have no chance with the existing Constitution, and would have worse treatment under unification, we must regain our lost freedom. It is beyond reason to expect a people who are being exploited, economically and financially, will submit without making an effort to escape. Not one of the Eastern States would suffer the disabilities that hamper this State without seeking emancipation. We, therefore, ask them to view our position fairly and from the Western aspect . . . Moreover, our problems are quite different from those of the Eastern States, and demand a solution on the spot by the people of the State. We have the right to shape our destiny without the domination of a distant power.

Percentage of—							
Elector	Votes to Effective Votes on :				All Votes to net Enrol- ment.	Informal Votes to all Votes Recorded.	
	Question " C. "		Question " D. "			Question " C. "	Question " D. "
	Yes.	No.	Yes.	No.			
Albany ..							
Avon ..	66·8	33·2	42·9	57·1	93·43	3·4	4·1
Beverley ..	70·6	29·4	41·1	58·9	93·18	3·3	4·2
Boulder ..	76·4	23·6	32·8	67·2	86·26	1·6	3·0
Brown Hill ..	35·2	64·8	59·2	40·8	93·62	7·3	8·0
Bunbury ..	34·7	65·3	58·8	41·2	86·80	4·5	4·7
Canning ..	71·1	28·9	42·1	57·9	96·30	2·8	3·5
Claremont ..	66·8	33·1	42·7	57·3	94·06	4·5	6·2
Collie ..	64·0	36·0	44·7	55·3	93·14	3·2	3·8
Forrest ..	61·9	38·1	51·1	48·9	91·42	2·6	3·9
Fremantle ..	60·6	39·4	46·3	53·7	86·87	3·2	4·0
Fremantle, ..	71·1	28·9	35·6	64·4	94·24	2·7	3·3
Fremantle, ..	63·8	36·2	47·3	52·7	96·20	3·0	3·9
Gascoyne ...	73·5	26·5	39·2	60·8	95·61	3·6	4·2
Geraldton ..	67·1	32·9	46·4	53·6	89·35	6·9	7·0
Greenough ..	63·0	37·0	43·5	56·5	90·03	2·9	3·8
Guildford-M ..	77·4	22·6	37·5	62·5	86·50	3·4	4·1
Hannans ...	62·7	37·3	43·8	56·2	94·96	3·6	4·6
Irwin-Moore ..	36·6	63·4	60·8	39·2	87·85	3·8	4·0
Kalgoorlie... ..	76·7	23·3	33·8	66·2	87·31	2·4	2·9
Kanowna ..	40·6	59·4	57·4	42·6	90·80	3·8	4·7
Katanning ..	56·6	43·4	47·3	52·7	79·32	3·0	3·7
Kimberley ..	74·0	26·0	35·9	64·1	93·22	5·0	6·0
Leederville ..	44·6	55·4	63·5	36·5	76·87	3·2	2·8
Maylands ...	62·7	37·3	44·9	55·1	95·09	3·4	5·2
Middle Swar ..	61·9	38·1	47·1	52·9	92·58	5·0	5·6
Mt. Hawtho ..	66·5	33·5	42·6	57·4	91·44	4·6	5·5
Mt. Magnet ..	66·2	33·8	42·8	57·2	95·27	3·4	4·3
Mt. Marshall ..	53·6	46·4	48·3	51·7	75·25	3·4	4·0
Murchison ...	82·5	17·5	29·8	70·2	88·53	2·0	3·1
Murray-Well ..	47·5	52·5	58·5	41·5	72·38	3·9	4·5
Nedlands ...	75·1	24·9	35·3	64·7	90·95	2·9	4·3
Nelson ...	61·7	38·3	44·6	55·4	92·58	3·4	4·4
Northam ...	71·8	28·2	40·0	60·0	90·07	4·4	5·2
Perth ..	66·2	33·8	45·1	54·9	96·10	4·0	4·8
Perth, East ..	63·4	36·6	45·0	55·0	90·67	4·0	4·9
Perth, North ..	64·0	36·0	44·2	55·8	89·20	4·6	5·4
Perth, West ..	62·7	37·3	44·4	55·6	93·74	3·7	4·5
Pilbara ...	63·5	36·5	46·3	53·7	91·98	3·1	4·3
Pingelly ...	58·6	41·4	49·1	50·9	85·80	2·9	4·0
Roebourne ..	78·0	22·0	32·2	67·8	87·18	1·9	2·8
Subiaco ...	63·5	36·5	44·8	55·2	86·18	4·5	3·5
Sussex ...	61·6	38·4	46·0	54·0	93·80	5·4	6·7
Swan ...	82·2	17·8	30·6	69·4	95·32	4·4	5·5
Toodyay ...	70·0	30·0	40·7	59·3	93·65	2·7	3·9
Victoria Park ..	74·1	25·9	34·5	65·5	91·50	2·9	3·9
Wagin ...	64·6	35·4	43·4	56·6	93·94	3·6	5·0
Williams-Nar ..	78·1	21·9	32·4	67·6	85·73	2·2	3·0
Yilgarn-Coalg ..	76·7	23·3	32·4	67·6	90·63	2·4	4·1
York ...	60·7	39·3	46·7	53·3	91·18	4·3	4·7
Total ..	80·8	19·2	30·5	69·5	92·16	2·8	3·5
	66·23	33·77	42·09	57·91	91·60	3·6	4·5

APPENDIX No. 60.

WESTERN AUSTRALIA.

Statistical Return of the Referendum under the Secession Referendum Act, 1932.

Issue of Writ, 17th February, 1933.

Polling Day, 8th April, 1933.

Return of Writ, 18th May, 1933.

Electoral District.	Net Enrolment on 8th April, 1933.			Votes Recorded at Referendum :—											Percentage of—						
				Effective and Informal together.			Separated—Question " C."				Separated—Question " D."				Votes to Effective Votes on:				All Votes to net Enrolment.	Informal Votes to all Votes Recorded.	
															Question " C."		Question " D."				
	M.	F.	Total.	M.	F.	Total.	Yes.	No.	Total.	Informal.	Yes.	No.	Total.	Informal.	Yes.	No.	Yes.	No.		Question " C."	Question " D."
Albany	2,191	2,120	4,311	2,069	1,959	4,028	2,600	1,289	3,889	139	1,659	2,202	3,861	167	66·8	33·2	42·9	57·1	93·43	3·4	4·1
Avon	2,287	1,613	3,900	2,122	1,512	3,634	2,483	1,032	3,515	119	1,442	2,037	3,479	155	70·6	29·4	41·1	58·9	93·18	3·3	4·2
Beverley	2,441	1,664	4,105	2,025	1,517	3,542	2,660	823	3,483	59	1,128	2,306	3,434	108	76·4	23·6	32·8	67·2	86·26	1·6	3·0
Boulder	1,606	1,327	2,933	1,512	1,234	2,746	895	1,648	2,543	203	1,505	1,020	2,525	221	35·2	64·8	59·2	40·8	93·62	7·3	8·0
Brown Hill-Ivanhoe	1,459	996	2,455	1,274	857	2,131	1,328	2,035	2,031	96	1,195	886	2,031	100	34·7	65·3	58·8	41·2	86·80	4·5	4·7
Bunbury	2,330	2,300	4,630	2,250	2,209	4,459	3,081	1,251	4,332	127	1,812	2,490	4,302	157	71·1	28·9	42·1	57·9	96·30	2·8	3·5
Canning	3,997	4,859	8,856	3,971	4,359	8,330	5,814	2,637	7,951	379	3,334	4,476	7,810	520	66·8	33·1	42·7	57·3	94·06	4·5	6·2
Claremont	2,957	3,616	6,573	2,726	3,306	6,122	3,792	2,134	5,926	196	2,634	3,254	5,888	234	64·0	36·0	44·7	55·3	93·14	3·2	3·8
Collie	2,391	2,037	4,428	2,187	1,861	4,048	2,440	1,503	3,943	105	1,986	1,901	3,887	161	61·9	38·1	51·1	48·9	91·42	2·6	3·9
Forrest	2,472	1,679	4,151	2,230	1,376	3,606	2,115	1,374	3,489	117	1,606	1,857	3,463	143	60·6	39·4	46·3	53·7	86·87	3·2	4·0
Fremantle	3,638	3,793	7,431	3,570	3,433	7,003	4,855	1,958	6,813	190	2,408	4,364	6,772	231	71·1	28·9	35·6	64·4	94·24	2·7	3·3
Fremantle, North East	3,026	3,545	6,571	2,949	3,472	6,421	3,912	2,216	6,128	193	2,875	3,197	6,072	249	63·8	36·2	47·3	52·7	96·20	3·0	3·9
Fremantle, South	3,760	3,715	7,475	3,577	3,570	7,147	5,060	1,826	6,886	261	2,681	4,163	6,844	303	73·5	26·5	39·2	60·8	95·61	3·6	4·2
Gascoyne	831	352	1,183	715	342	1,057	660	324	984	73	456	527	983	74	67·1	32·9	46·4	53·6	89·35	6·9	7·0
Geraldton	2,179	1,763	3,942	1,948	1,604	3,552	2,182	1,264	3,446	106	1,485	1,932	3,417	135	63·0	37·0	43·5	56·5	90·03	2·9	3·8
Greenough	3,705	2,176	5,881	3,138	1,949	5,087	3,805	1,110	4,915	172	1,826	3,049	4,875	212	77·4	22·6	37·5	62·5	86·50	3·4	4·1
Guildford-Midland	2,982	3,092	6,074	2,875	2,893	5,768	3,488	2,072	5,560	208	2,410	3,092	5,502	206	62·7	37·3	43·8	56·2	94·96	3·6	4·6
Hannans	1,017	844	1,861	894	741	1,635	567	1,006	1,573	62	954	615	1,569	66	36·6	63·4	60·8	39·2	87·85	3·8	4·0
Irwin-Moore	2,155	1,337	3,492	1,859	1,191	3,050	2,283	692	2,975	75	1,002	1,957	2,959	91	76·7	23·3	33·8	66·2	87·31	2·4	2·9
Kalgoorlie... ..	1,967	1,444	3,411	1,770	1,327	3,097	1,210	1,769	2,979	118	1,693	1,259	2,952	145	40·6	59·4	57·4	42·6	90·80	3·8	4·7
Kanowna	1,473	587	2,060	1,164	471	1,635	898	687	1,585	50	745	830	1,575	60	56·6	43·4	47·3	52·7	79·32	3·0	3·7
Katanning	3,018	2,251	5,269	2,786	2,127	4,913	3,455	1,211	4,666	247	1,661	2,956	4,617	296	74·0	26·0	35·9	64·1	93·22	5·0	6·0
Kimberley	691	222	913	506	196	702	303	376	679	23	433	249	682	20	44·6	55·4	63·5	36·5	76·87	3·2	2·8
Leederville	4,236	4,830	9,066	4,073	4,548	8,621	5,225	3,102	8,327	294	3,666	4,500	8,166	455	62·7	37·3	44·9	55·1	95·09	3·4	5·2
Maylands	3,284	3,820	7,104	3,070	3,507	6,577	3,870	2,378	6,248	329	2,928	3,282	6,210	367	61·9	38·1	47·1	52·9	92·58	5·0	5·6
Middle Swan	4,103	3,800	7,903	3,785	3,442	7,227	4,587	2,305	6,892	335	2,907	3,918	6,825	402	66·5	33·5	42·6	57·4	91·44	4·6	5·5
Mt. Hawthorn	2,873	3,218	6,091	2,741	3,062	5,803	3,712	1,894	5,606	197	2,379	3,174	5,553	250	66·2	33·8	42·8	57·2	95·27	3·4	4·3
Mt. Magnet	1,655	665	2,320	1,200	546	1,746	903	783	1,686	60	814	862	1,676	70	53·6	46·4	48·3	51·7	75·25	3·4	4·0
Mt. Marshall	2,726	1,662	4,388	2,405	1,480	3,885	3,141	665	3,806	79	1,120	2,642	3,762	123	82·5	17·5	29·8	70·2	88·53	2·0	3·1
Murchison... ..	1,889	664	2,553	1,351	497	1,848	844	931	1,775	73	1,033	732	1,765	83	47·5	52·5	58·5	41·5	72·38	3·9	4·5
Murray-Wellington	2,375	1,764	4,139	2,149	1,615	3,764	2,744	909	3,653	111	1,273	2,328	3,601	163	75·1	24·9	35·3	64·7	90·95	2·9	4·3
Nedlands	4,169	4,297	8,466	3,877	3,961	7,838	4,665	2,902	7,567	271	3,344	4,146	7,490	348	61·7	38·3	44·6	55·4	92·58	3·4	4·4
Nelson	2,949	2,438	5,387	2,822	2,030	4,852	3,332	1,307	4,639	213	1,841	2,758	4,599	253	71·8	28·2	40·0	60·0	90·07	4·4	5·2
Northam	2,426	2,120	4,546	2,329	2,040	4,369	2,777	1,413	4,190	179	1,877	2,281	4,158	211	66·2	33·8	45·1	54·9	96·10	4·0	4·8
Perth	3,724	3,619	7,343	3,319	3,323	6,642	4,052	2,334	6,386	272	2,848	3,478	6,326	332	63·4	36·6	43·0	55·0	90·67	4·0	4·9
Perth, East	3,480	3,903	7,383	3,168	3,418	6,586	4,021	2,262	6,283	303	2,751	3,476	6,227	359	64·0	36·0	44·2	55·8	89·20	4·6	5·4
Perth, North	2,550	3,361	5,911	2,439	3,102	5,541	3,464	1,986	5,450	209	2,352	2,939	5,291	250	62·7	37·3	44·4	55·6	93·74	3·7	4·5
Perth, West	2,923	3,773	6,696	2,673	3,486	6,159	3,793	2,175	5,968	191	2,727	3,167	5,894	265	63·5	36·5	46·3	53·7	91·08	3·1	4·3
Pilbara	440	109	549	373	98	471	268	189	457	14	222	230	452	19	58·6	41·4	49·1	50·9	85·80	2·9	4·0
Pingelly	2,389	1,621	4,010	2,246	1,250	3,496	2,674	753	3,427	69	1,094	2,304	3,398	98	78·0	22·0	32·2	67·8	87·18	1·9	2·8
Roebourne	442	144	586	356	149	505	306	176	482	23	218	269	487	18	63·5	36·5	44·8	55·2	86·18	4·5	3·5
Subiaco	3,237	4,038	7,275	3,014	3,810	6,824	3,076	2,477	6,453	371	2,930	3,437	6,367	457	61·6	38·4	46·0	54·0	93·80	5·4	6·7
Sussex	2,237	1,805	4,042	2,136	1,717	3,853	3,030	653	3,683	170	1,114	2,528	3,642	211	82·2	17·8	30·6	69·4	95·32	4·4	5·5
Swan	2,443	2,319	4,762	2,254	2,206	4,460	3,032	1,306	4,338	122	1,744	2,540	4,284	176	70·0	30·0	40·7	59·3	93·65	2·7	3·9
Toodyay	1,869	1,533	3,402	1,718	1,395	3,113	2,240	780	3,020	93	1,032	1,958	2,990	123	74·1	25·9	34·5	65·5	91·50	2·9	3·9
Victoria Park	3,509	3,955	7,464	3,276	3,736	7,012	4,369	2,885	6,754	258	2,892	3,768	6,660	352	64·6	35·4	43·4	56·6	93·94	3·6	5·0
Wagin	2,482	1,793	4,275	2,117	1,548	3,665	2,890	782	3,582	83	1,151	2,404	3,555	110	78·1	21·9	32·4	67·6	85·73	2·2	3·0
Williams-Narrogin	1,841	1,478	3,319	1,666	1,342	3,008	2,251	682	2,933	75	935	1,948	2,883	125	76·7	23·3	32·4	67·6	90·03	2·4	4·1
Yilgarn-Coolgardie	2,239	1,048	3,287	1,998	999	2,997	1,739	1,127	2,866	131	1,332	1,523	2,855	142	60·7	39·3	46·7	53·3	91·18	4·3	4·7
York	1,717	1,309	3,026	1,575	1,214	2,789	2,191	520	2,711												

DIVISION FOUR—THE CONSEQUENCES OF SECESSION.

Chapter 21—The Basis of Western Australia's Withdrawal from Federation.

Chapter 22—The Defence Consequences of Secession.

Chapter 23—The Economic Consequences of Secession.

Chapter 24—The Financial Consequences of Secession.

Chapter 25—The Empire Outlook—Empire Settlement and Reciprocal Trade within the Empire.

Chapter 26—Summary and Conclusion.

CHAPTER 21—THE BASIS OF WESTERN AUSTRALIA'S WITHDRAWAL FROM FEDERATION.

632. Division Three having set forth the main grounds which make it imperative for Western Australia to withdraw from the Commonwealth this, the fourth and final, division of this Case deals with the consequences of Secession. In order to gain a due appreciation of the consequences of withdrawal it is first necessary to understand the general basis upon which such withdrawal is to be effected.

Back to Pre-Federal Autonomy.

633. A consideration of the question may be conveniently approached by emphasising that constitutionally, Secession, as the people desire that it should be brought about, implies nothing more than that Western Australia should withdraw from the Australian Federation and carry on as a separate and distinct self-governing community in the British Empire. It does not involve the creation of a new Constitution for Western Australia—the present Constitution (originally granted by the British Parliament in 1890) will suffice. It does not require the creation of a new Parliament for Western Australia—the existing State Parliament will remain. It does not require an establishment of Courts of Justice—the Supreme Court of Western Australia is already in existence; and the same may be said of most of the departments of gov-

ernment in respect of which Western Australia would resume unfettered control. The only difference—the outstanding difference—will be that whereas all these instruments of administrative, executive and judicial powers have been permitted but a restricted field for their operation since Federation, Secession will enable a full and complete and more beneficial discharge of their various functions. If not immediately, then in the fulness of time, the people of Western Australia hope to attain the distinction of Dominion Status—a distinction which very possibly would have already been theirs had Western Australia not entered Federation but had continued as a separate entity like New Zealand. It has, however, been made perfectly clear in Chapter 12 of this Case that the driving force for Secession arises primarily from economic factors—from a desire to be free from Australia's policy of economic isolation, so as to adopt a fiscal policy which will at once benefit Western Australia and promote the development of Empire trade. "The crimson thread of kinship runs through us all"; but who will deny that "the Empire finds its common weal in its economic character."

An Honourable and Friendly Withdrawal.

634. The people of Western Australia desire nothing but an honourable withdrawal from Federation. They are prepared to assume full responsibility for their just share of the Commonwealth public debt. They earnestly desire that Secession might be accomplished in the most friendly spirit, with the utmost goodwill, and without leaving any trace of bitterness or resentment behind it. There is, of course, no suggestion that the attitude of Western Australians towards their fellow Australians in Eastern Australia will be that of "enemies in war, in peace friends." The withdrawal of Western Australia does not involve the severance of a race. The people of Western Australia were good Australians before Federation. They have been good Australians in Federation. They will be good Australians after having withdrawn from Federation. All true Australians whether in the East or in the West—whether in the Commonwealth or not—will still remain British citizens enjoying the manifold advantages and benefits, and assuming all the duties and obligations which British citizenship confers and imposes. The people of Western Australia will still be loyal subjects of the King, living in amity with their neighbours, and vying with them in their loyalty to the Crown and their attachment to the Empire.

A Necessary Reorganisation of Australian Polity.

635. Secession must be regarded as a necessary, desirable, and inevitable reorganisation of Australian polity. Disloyalty, and all such similar terms, have no more application to Western Australia's withdrawal from Federation than to the event by which Western Australia, or for that matter, any other State, was first granted Responsible Government. It is this very principle of self-government to which the British Empire owes "its unexampled capacity for world functional organisation."

636. "Autonomy," declared Gladstone, in the Commons on the 10th May, 1886, "is a name well known to European law and practice as importing, under historical signification sufficiently definite for every practical purpose, the management and control of the affairs of the territory to which the word is applied, and as being perfectly compatible with the full maintenance of Imperial unity." If, therefore, Secession which means a return to the autonomous conditions enjoyed by the people of Western Australia under the British flag during the ten years prior to Federation is compatible with Imperial unity, as the people of this State are determined to demonstrate, surely Secession is even more compatible with Australian unity. "What was the cry," inquired Gladstone pursuing his discourse, "of those who resisted the concession of autonomy to Canada? It was the cry . . . of the unity of the Empire." In like manner the cry of those who resisted Secession was the cry of the unity of Australia; but surely a central government at Canberra having complete or partial control of the whole of the vast continent of Australia is no more essential to the unity of Australia than a single government at London in control of the whole Empire, is necessary for the unity of the Empire.

The Evolution of Constitutional Relations within the Empire.

637. The withdrawal of Western Australia from the Commonwealth must be regarded as another phase in the continual development of the political system of the Empire—a system which is sufficiently elastic to enable a unit of the Empire to revert from the status of a self-governing Dominion to that of a Crown Colony. Western Australia is in difficulties largely through Federation; but the people of this State have no desire to solve their difficulties by renouncing their rights and

losing their individuality and allowing the State to be absorbed as Commonwealth Territory. Their troubles are not insuperable and the people of Western Australia firmly believe that if they are given freedom to work out their own salvation all their disabilities could be faced with confidence and vigour.

A Change-over Without Disorganisation.

638. There is no valid reason whatever why, in the withdrawal of Western Australia from the Commonwealth, the change-over in political control should not be accomplished without any noticeable disorganisation even in the matter of currency or even in departments such as Post and Telegraphs. The actual financial settlement as between the Western Australian government and the Commonwealth government—a question which, along with other financial considerations, is discussed in detail in Chapter 24 of this Case would be a mere matter of accountancy; and there is but little doubt that any unexpected or unforeseen emergency which might arise could and would be overcome by the united endeavours of the respective parties.

Protection of Bondholders' Security.

639. The holders of Commonwealth Government Bonds or of Western Australian Government Bonds may, not unnaturally, inquire whether Secession might prejudicially affect the securities which they hold. The reply to any such inquiry is definitely and emphatically, "No." Considering the matter first from a purely legal aspect it is sufficient to say that so far as Western Australian Bonds or Stocks are concerned—and some £34,000,000 have been floated on the London market alone—such Bonds or Stocks were issued entirely upon the security of the Consolidated Revenue Fund of Western Australia. It is clear therefore, that notwithstanding Western Australia's withdrawal from the Commonwealth, the legal security of the holders of Western Australian Bonds, etc., will be precisely the same as at the time when stock bonds were issued.

640. Concerning Bonds and Stocks issued or guaranteed by the Commonwealth, the contractual relations between the bondholders and the Commonwealth will remain unimpaired. Such bonds, etc., will continue to constitute a charge upon the Consolidated Revenue of the Commonwealth. As between

the two governments, however, the State government will have to assume responsibility to the Commonwealth government for the service of an agreed portion of the Commonwealth debt; and certain further aspects of this matter are discussed in Chapter 24 above-mentioned.

641. A moment's reflection upon the practical aspects of the question will serve to emphasise how, far from weakening the security of the bondholders—Commonwealth or State—the Secession of Western Australia will really strengthen and enhance the security of such bonds. The people of Western Australia are at present required to provide sufficient funds to meet the whole of the interest on the public debt of the State; and also to contribute their quota towards the interest of the indebtedness of the Commonwealth Government. The heavy burden of this liability may be readily appreciated when it is explained that, quite apart from the quota due in respect of the Commonwealth debt, no less than 45 per cent. of the total revenue of the Western Australian Government for the year 1932-33 was absorbed in the payment of interest on the public debt of the State. Default is repugnant to the mind of the people of Western Australia and foreign to their character. If, however, the existing circumstances are to continue, it requires no special brilliance to perceive that sheer stress of circumstances may prevent Western Australia from fulfilling her obligations.

642 It must be equally evident, and particularly from what is set forth in Chapters 12 and 24 of this Case, that free from the entanglements of Federation, the people of Western Australia would be in a much better position to discharge their obligations to the holders of State Bonds, and much more able as citizens of Western Australia, to meet that share of the service of the Commonwealth debt for which they are to-day liable as Commonwealth citizens.

APPENDIX No. 61.

PROVISIONS SUGGESTED FOR INCLUSION IN THE DESIRED LEGISLATION BY THE IMPERIAL PARLIAMENT TO EFFECTUATE THE WITHDRAWAL OF WESTERN AUSTRALIA FROM THE COMMONWEALTH OF AUSTRALIA.

1. On and after a day to be fixed by Proclamation—

(a) Western Australia shall cease to be a State of the Commonwealth of Australia, and the Commonwealth of Australia Constitution Act, 1900, and the laws of the Commonwealth made thereunder, shall, subject to the Act, cease to apply or have any effect in any part of Western Australia, and the Western Australian Constitution Act, 1889, and its amendments shall thereafter continue in full force and effect and free from any limitations hitherto imposed in any manner whatsoever by the Commonwealth of Australia Constitution Act, 1900.

(b) The members serving in the Commonwealth House of Representatives for any constituency in Western Australia, and the Senators of Western Australia in the Commonwealth Senate shall cease to be members of the House of Representatives or Senators (as the case may be); and no writ shall be issued thereafter for the election of a member to serve in the House of Representatives for a constituency in Western Australia or for the election of a Senator for Western Australia in the Senate.

(c) Western Australia shall have the same constitutional status in the British Commonwealth of Nations as the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, the Irish Free State, and shall be styled and known as the Dominion of Western Australia.

2. Subject to the provisions of the Act, the relationship between the Dominion of Western Australia and the Imperial Parliament and Government and otherwise shall be similar to that of the Commonwealth of Australia; and the law, practice and constitutional usage governing the relationship of the Crown or the representatives of the Crown and of the Imperial Parliament to the Commonwealth of Australia shall govern the like relationship to the Dominion of Western Australia.

3. The representative of the Crown in Western Australia shall be appointed in like manner as the Governor-General of the Commonwealth of Australia, and in accordance with the practice observed in the making of such appointments.

4. (i.) The Dominion of Western Australia shall assume liability for the service of the Public Debt of the Commonwealth of Australia as existing at the date of the commencement of the Act and for the payment of War and other Pensions as existing on that date in such proportion as may be fair and equitable, having regard to any just claims on the part of Western Australia by way of a set-off or counter-claim.

(ii.) The Interest and Sinking Fund, if any, upon the portion of the Public Debt to be so taken over from the Commonwealth of Australia by the Dominion of Western Australia shall be a reserved charge payable to the Government of the Commonwealth of Australia by the Government of

the Dominion of Western Australia; provided always that this provision shall not in any way prejudice or affect the security of any stock or bonds which may have been issued by the Government of the Commonwealth of Australia before the withdrawal of Western Australia from the Commonwealth.

5. In default of agreement between the Dominion of Western Australia and the Commonwealth of Australia as to the amount of the sums mentioned in the last preceding provision, or upon any other matter whatsoever arising out of or in connection with the withdrawal of Western Australia from the Commonwealth of Australia, the question or questions shall be determined by the arbitration of one or more independent persons, being citizens of the British Empire, and in the case of any such arbitration, justice and equity shall be the sole principle which shall dominate the determination of such arbitration.

6. Subject to the Act and to the extent to which they are not inconsistent therewith, the Commonwealth laws in force in Western Australia as at the date of the commencement of the Act shall continue to be of full force and effect for the benefit of the Dominion of Western Australia until the same or any of them shall have been repealed or amended by enactment of the Legislature of the Dominion of Western Australia.

7. As respects departmental property, assets, rights, and liabilities, and to the extent to which functions of any Department of the Commonwealth of Australia become functions of the Government of the Dominion of Western Australia, the Government of that Dominion shall be regarded as the successors of the Commonwealth Government.

8. The transfer of the administration of any Public Service shall be made as from the date of the commencement of the Act, or may be deferred to such later date as may be agreed upon between the Government of the Dominion of Western Australia and the Government of the Commonwealth of Australia, and ratified by their respective Parliaments; and such of the permanent officers ordinarily engaged in the administration of those services on the date of transfer shall be transferred to, and become officers of, the Dominion of Western Australia.

9. Subject to the Act, every permanent officer of the Commonwealth Government ordinarily employed in Western Australia at the date of the commencement of the Act shall, on that date, be transferred to, and become an officer of, the Dominion of Western Australia, and shall hold office by a tenure corresponding to his previous tenure.

10. The Government of the Dominion of Western Australia shall pay fair compensation to officials and other public servants referred to in the next preceding provision who are discharged by it or who retire in consequence of the change of Government.

11. It shall be lawful for any Department of the Western Australian Government to make arrangements with any Minister of the Commonwealth Government whereunder any of the powers and duties of the Minister may be exercised and performed on his behalf by officers of that Department, or whereunder any of the powers and duties of that Department may be exercised and performed on behalf of that Department by officers of the

Minister on such terms and conditions as may be agreed: Provided that no such arrangements shall diminish in any respect the responsibility of the Department by which the arrangement is made: Provided further that any such agreement shall be subject to ratification by the respective Parliaments.

12. In the event of a bank or savings bank being established in the Dominion of Western Australia by the Government of that Dominion and arrangements being made for the transfer to the bank or savings bank of the Dominion of Western Australia of the deposits in the Commonwealth Bank of Australia or the Commonwealth Savings Bank of depositors resident in the Dominion of Western Australia, it shall be lawful for the Board of Directors of the Commonwealth Bank of Australia or of the Commonwealth Savings Bank and the National Debt Commissioners to transfer to such authority as may be provided by legislation of the Dominion of Western Australia such apportioned part of the assets held by or on behalf of the Commonwealth Bank of Australia as may be determined by agreement between the Government of the Dominion of Western Australia and the Government of the Commonwealth of Australia to be properly attributable to the deposits so transferred; provided that such agreement is ratified by their respective Parliaments.

Provided further that nothing in or done under this provision shall affect the rights under the Commonwealth Bank Acts of any depositor in the Commonwealth Bank or in the Commonwealth Savings Bank, without the consent of the depositor.

13. The Government of the Dominion of Western Australia may make agreements with the Commonwealth Government and the British Government or either of them, with respect to any matter arising out of or touching upon the withdrawal of Western Australia from the Commonwealth, or in respect of any matter concerning which it may be expedient that an agreement should be made; and every such agreement, if ratified by the respective Parliaments, shall, subject to revocation or alteration by a subsequent agreement, have effect as if it were included amongst the provisions of the Act.

14. Until an arrangement has been made between the British and Western Australian Governments whereby the Dominion of Western Australia undertakes her own coastal defence, the defence by sea of the Dominion of Western Australia shall be undertaken by His Majesty's Imperial Forces, and towards the expenditure in respect of such service, the Dominion of Western Australia shall make a just and equitable contribution: Provided that nothing in this provision contained shall preclude an agreement between the Commonwealth and Western Australian Governments concerning the defence by sea of the Dominion of Western Australia.

15. (i.) The withdrawal of Western Australia from the Commonwealth of Australia shall not affect any liability to pay any taxes or duty payable under any laws of the Commonwealth in respect of the current financial year, or any preceding financial year, or in respect of any period ending on or before the last day of the current financial year, or payable on any occasion happening within the current or any preceding financial year, or

the amount of such liability, and all such taxes and duties as aforesaid and arrears thereof shall continue to be assessed, levied and collected, and all payments and allowances of such taxes and duties shall continue to be made in like manner in all respects as immediately before the withdrawal of Western Australia from the Commonwealth of Australia, subject to the like adjustments of the proceeds collected as were theretofor applicable; and for that purpose the Government of the Dominion of Western Australia shall have the like power and be subject to the like liabilities as the Commonwealth Government.

(ii.) For the purpose of this provision the expression "financial year" means, in respect of income tax (including super tax), the year of assessment, and as respects other taxes and duties the year ending on the 30th day of June.

16. It shall be lawful for the Parliament of the Commonwealth of Australia to make laws containing provision with respect to the management of the National Debt and the Government Securities as may be necessary to secure that the management thereof shall not, except to such extent as may be authorised by such legislation, be transacted within the Dominion of Western Australia; or to enable an agreement with the Government of the Dominion of Western Australia for the business of the Commonwealth Bank in relation thereto to be partly transacted at an office of any Bank now or hereafter carrying on or formed to carry on the business of banking in the Dominion of Western Australia, and in the latter case to apply in respect of any securities inscribed or registered in the books and registers kept at such office, the provisions applicable in respect of securities inscribed or registered in the books and registers kept at the head office of the Commonwealth Bank or its existing branch in Perth; and any such laws may contain supplemental, consequential and incidental provisions as may appear necessary or proper in the performance of the law, and any such laws shall, subject to revocation or alteration by a subsequent law, have effect as if enacted in the Act.

17. His Majesty may, by Order in Council, make such adaptations of any enactments so far as they relate to any of His Majesty's Dominions other than the Dominion of Western Australia as may appear to him necessary or proper as a consequence of the establishment of the Dominion of Western Australia.

18. Such other provisions as it may be meet and proper to enact, in order to give effect to the desire of the people of Western Australia to withdraw from the Commonwealth of Australia.

CHAPTER 22.—THE DEFENCE CONSEQUENCES OF SECESSION.

643. The State systems of defence were taken over by the Commonwealth in March, 1901, in which month the Commonwealth assumed control of Defence matters under the terms of the Commonwealth Constitution.

644. In its bearing upon Secession, the consequential question of Defence is a very problematical one; and a discussion upon that question therefore can only be reasonable, in the absence of expert and professional advice, whilst such discussion is free from dogmatism on any of the considerations which might be deemed to be within the scope of the discussion.

Dependence upon Britain.

645. At the very outset, however, it must be observed that it is British diplomacy and the British Navy which have assured to the people of Australia their peaceful occupation of this great and glorious country. Moreover, the ⁽¹⁾Commonwealth High Commissioner, the Right Honourable S. M. Bruce, P.C., and the Commonwealth Minister for Defence, ⁽²⁾Sir George Pearce, were only stressing the obvious when they recently emphasised Australia's dependence on Britain for defence.

Admiral Henderson's Report.

646. On the 1st March, 1911, Admiral Sir Reginald Henderson, K.C.B., submitted a ⁽³⁾Report containing recommendations on the Australian Naval Forces. Admiral Henderson's investigations were conducted and his recommendations

(1) In addressing the Imperial College of Defence, London, Mr. S. M. Bruce emphasised Australia's aerial dependence on Britain.—*Vide* "Daily News," 22nd November, 1933.

(2) Sir George Pearce, Minister for Defence: "... if any part of the Empire is attacked the attacker will have to reckon with the whole of the military and naval power of the British Empire It has been suggested at times that our force should be large enough to maintain a watch over the whole of our extensive coastline. I repeat, that this would be unnecessary. The points at which an enemy would have to strike to obtain any decisive result can be determined with reasonable accuracy.—*Vide* "Daily News," 16th November, 1933.

(3) Commonwealth Parliamentary Papers, 1911, Vol. ii., p. 78.

were made at the request of the Commonwealth government; and in the letter which contained such request it was intimated on behalf of the Commonwealth government that "the main points on which we wish to have the benefit of your experience are:—

- "(a) the best position for the Central Naval Base, and the works necessary to make it effective;
- "(b) the positions for secondary bases for the service of a fleet, and what we should, in your opinion, do to make them of best service in any naval operations."

647. The Admiral's report includes the following observations:—

"Once the command of the sea is lost by the Empire, no local system of defence, Naval or Military, could secure Australia's autonomy, and she would be the prey of the strongest maritime power.

"Any nation that threatens or attacks the sea power of the Empire must be an enemy of Australia and of the whole Empire.

"Unity of purpose in this matter with regard to all parts of the Empire will give great strength to the sea power of the Empire, and, too, unity of control in war of all the Naval forces of the Empire is of paramount importance.

"The primary object of an Australian Navy, therefore, should be the immediate support of the rest of the Empire's Naval forces in their determination to retain the command of the sea.

"The geographical position of Australia, its immense coast-line, sparsely populated districts, large shipping and coasting trade, and over-sea communications, require that the secondary object should be the protection of ports and shipping from raids and incursions by hostile ships and cruisers.

"Field Marshall Viscount Kitchener, of Khartoum, has well set forth the strategic position of Australia in his Memorandum on the Defence of Australia, in which he says:—

"It is an axiom held by the British Government that the Empire's existence depends primarily upon the maintenance of adequate and efficient Naval forces. As long as this condition is fulfilled, and as long as British superiority at sea is assured, then it is an accepted principle that no British Dominion can be successfully and permanently conquered by an organised invasion from over-sea"

648. The maps which are furnished by way of appendices to Chapter 16 of this Case, serve to illustrate the distribution of the population of Australia and the distances between the various centres.

649. In his report Admiral Henderson set forth his recommendations as to the strength and nature of the completed fleet to be built up on a 22-year plan; he recommended that the fleet should be divided into two divisions—an Eastern division and a Western division—each having an equal number of ships; Sydney to be the principal base of the Eastern division and Fremantle the principal base of the Western division. Discussing the anchorage of the Western division the Admiral reported that “Port Western is a very good harbour, and until ⁽¹⁾Cockburn Sound (Fremantle), which is far more important from a strategical point of view, is ready, this port should be utilised by the Western division as one of its principal anchorages, and as a place where ships should be able to replenish with coal or oil fuel.”

650. The Admiral recommended that the preparatory measures, which should be taken in hand forthwith, should include the provision and equipment of the necessary harbour establishments, naval bases, etc.; and the erection of barracks and a Naval College at Sydney and barracks at Port Western—the naval barracks at Port Western to include a torpedo school and destroyer base and submarine base and to be capable of accommodating a personnel of 2,000 ranks and ratings of which a proposed complement of 292 ranks and ratings should be sufficient to undertake the entry and preliminary training of the personnel required by the Western division of the fleet. In Appendix D to his report Admiral Henderson sets forth his opinion as to the completed requirements of the naval bases and sub-bases; he deals with Sydney and Fremantle as primary fleet bases, and then details the order in which the work at the respective bases should be completed. Concerning the Western coast, his recommendations were as follows:—

FIRST STAGE

FREMANTLE

(a) Proceed with, and complete, the construction of the dock and of the repair shops and machinery, including sheers, etc., connected therewith.

(b) Undertake thorough survey of Cockburn Sound and the surrounding land, and reserve necessary land; dredge out channel so as to make the anchorage suitable for a fleet of large vessels.

(c) Make arrangements for storage of coal, oil fuel, etc.

(d) Establish temporary Destroyer and Submarine Bases in the Swan River.

(1) The strategic position of Cockburn Sound was one of the principal grounds upon which Captain Stirling, in 1828, urged the annexation of Western Australia, Chapter 3 of this Case.

PORT WESTERN

- (a) Acquire site for, and build, Naval barracks, including Torpedo School.
- (b) Survey land, and reserve portions required.
- (c) Obtain the requisite legal powers to close parts of the harbour for the purposes of Whitehead Torpedo practice and adjustment.
- (d) Establish the Destroyer and Submarine Bases.

SUBSEQUENT YEARS

FREMANTLE

Development as a Fleet Primary Base to be completed.

PORT WESTERN

Provide works for repairing and re-adjusting torpedoes.

Admiral Lord Jellicoe's Report.

651. In this connection the following paragraphs are extracted from the 1919 report by Lord Jellicoe:—

(1)(38) "For convenience of mobilisation, and to insure that the personnel of the fleet should be given facilities for being as near as possible to their homes when ships are at their bases for refit, or for the purpose of giving leave, it is very desirable to base certain vessels upon certain ports for manning purposes. In England, the three manning ports have been for many years Plymouth, Portsmouth, and Chatham; and the ships of the fleet are allotted to one of these ports, and draw their personnel from the depots there. The area of Australia is so great that no arrangements that can be made will avoid the necessity for the personnel having to travel great distances to their homes, but it is desirable to reduce the distances as much as possible.

(39) "At present the fleet is too small to introduce any such scheme, even if the necessary bases existed; but as it expands, and as Cockburn Sound develops into a naval base, the proposal of Sir Reginald Henderson to divide the fleet for manning purposes into an Eastern Squadron and a Western Squadron should be carried out. Sydney or Port Stephens (if a naval base is established there) should be the eastern base, with the personnel drawn from Queensland and New South Wales; and Cockburn Sound the western, with the personnel drawn from Western and South Australia, Victoria and Tasmania."

652. There is no division of the fleet at Fremantle; there is not a single ship. A commencement was made upon the construction of the Henderson Naval Base at Cockburn Sound, but the works were dismantled and discontinued in 1921.

(1) Report of Admiral of the Fleet, Viscount Jellicoe, of Scapa, G.C.B., O.M., G.C.V.O. on Naval Mission to the Commonwealth of Australia (at pp. 20-21).

The Existing Defences of Australia.

653. The defence forces of Australia have been summarised in the following manner in the Commonwealth Year Book No. 25, 1932.

Naval Defence.

654. A list of the vessels of the Royal Australian Navy is given hereunder:—

SHIPS OF THE ROYAL AUSTRALIAN NAVY, MAY, 1932.

Vessel.	Description.	Displacement. tons.	Power. H.P.
IN COMMISSION—			
<i>Albatross</i>	Seaplane Carrier	5,000	12,000
<i>Australia</i>	Cruiser	10,000	80,000
<i>Canberra</i>	"	10,000	80,000
<i>Cerberus</i>	Motor Boat (Flinders Naval Depot)	61	220
<i>Penguin</i> (late <i>Platypus</i>)	Depot Ship, Sydney	3,455	3,500
<i>Tattoo</i>	Destroyer	905	27,000
IN RESERVE—			
<i>Adelaide</i>	Cruiser	5,100	25,000
<i>Anzac</i>	Flotilla Leader	1,310	36,000
<i>Brisbane</i>	Cruiser	5,120	25,000
<i>Geranium</i>	Sloop	1,175	2,000
<i>Mallow</i>	"	1,165	1,800
<i>Marguerite</i>	"	1,175	2,000
<i>Moresby</i>	"	1,650	2,500
<i>Stalwart</i>	Destroyer	905	27,000
<i>Success</i>	"	905	27,000
<i>Swordsman</i>	"	905	27,000
<i>Tasmania</i>	"	905	27,000
FLEET AUXILIARY—			
<i>Kurumba</i>	Fleet Oiler	7,930	2,000

NAVAL FORCES.

655. Besides the sea-going forces there is a R.A.N. Reserve, which is composed of Citizen Naval Forces. The personnel of the sea-going forces, which was originally largely composed of Imperial officers and men, is now 98 per cent. Australian. The strength of the naval forces is given hereunder:—

STRENGTH OF NAVAL FORCES (PERMANENT AND RESERVES), 15TH FEBRUARY, 1932.

Description of Force.	Numbers Borne.	
	In Training.	Officers. Men.
Royal Australian Navy (Sea-going)	341 2,776
Royal Australian Naval Auxiliary Services	28 103
Cadet Midshipmen undergoing training at R.A.N. College	25	... ..
Royal Australian Naval Reserve (Sea-going)	45 ...
Royal Australian Fleet Reserve 209
Royal Australian Naval Reserve	244 4,910
Royal Australian Naval Volunteer Reserve	38 ...

THE HEAVY NAVAL EXPENDITURE.

656. Discussing the question of Australia's expenditure on Naval Defence, General Sir Harry Chauvel, G.C.M.G., K.C.B., Inspector General of the Australian Military Forces, says in paragraph 9 of his annual report of 1930:—

(9) "In this connection, the following figures are of interest:—

New Zealand contributes to the sea defence of	
the Empire	£505,107
Canada contributes, in kind, i.e., with her own	
Navy	£345,000
South Africa contributes	£130,000
India contributes	£426,500
While Australia contributes, in kind, by means	
of the Royal Australian Navy	£2,107,191

"Owing to the unavoidable overhead charges in connection with the maintenance of a separate Navy, it appears to me a question well worth consideration as to whether the method of Australia's contribution to sea defence is not more costly than she can afford."

Military Defence.

657. Pursuant to an enactment of the Commonwealth in 1909, universal training was introduced in 1911. By the Defence Acts of 1903 and 1904 all male inhabitants between the ages of 18 and 60 years were made liable to serve Australia with the defence forces in time of war. Subsequent legislation made training and service compulsory up to the age of 26 years in time of peace.

DIVISIONAL ORGANISATION.

658. Divisional organisation came into operation from the 1st May, 1921. Under this system a war organisation, evolved from the Australian Imperial Force, is applied to peace conditions, with a minimum of permanent personnel. In 1922 the divisional organisation was reduced to a nucleus force.

THE SUSPENSION OF ALL COMPULSORY OBLIGATIONS.

659. The suspension of all compulsory obligations in time of peace and the reconstitution of the forces on a basis of voluntary enlistment, was brought into operation as from 1st November, 1929. The divisional organisation has been retained, but the peace nucleus has been reduced from 48,000 citizen forces and 16,000 senior cadets to 35,000 militia forces and 7,000 senior cadets by reductions in the training establishments of units and by ceasing to maintain certain light horse regiments and infantry battalions.

ALLOTMENT OF UNITS.

660. The organisation is territorial, and the divisions are based upon infantry units. There are 46 battalions, forming 14 brigades. The areas have approximately equal numbers of males of citizen soldier age, and each furnishes a battalion of infantry, and a proportion of other troops.

Allotments of Units to Areas 31st March, 1932.

State.	Military District.	Number of Infantry Brigade Areas.	Battalion Areas.										
			Number of Battalion Areas. (a)	Providing the undermentioned Units.								Artillery Survey.	Anti-aircraft Battery.
				Infantry Battalions.	Light Horse Regiments.	Field Artillery Batteries.	Medium Artillery.		Heavy Artillery.				
							Brigade Headquarters.	Batteries.	Brigade Headquarters.	Batteries.			
New South Wales	2nd	5	18	16	6	12	1	3	1	4	1	1	
Victoria	3rd	5	18	16	5	17	1	3	1	4	1	1	
Queensland	1st	5	5	6	3	6	...	...	...	...	...	...
South Australia	4th	1	4	3	3	4	...	...	...	1	...	...
Western Australia	5th	1	3	3	1	3	...	...	...	1	...	...
Tasmania	6th	...	2	2	1	2	...	...	...	1	...	...
Total	...	14	53	46	19	50	12	6	12	12	2	1	

State.	Military District.	Battalion Areas.													
		Providing the undermentioned Units—													
		Engineers.		Signals.		Tank Corps.		A.A.S.C.				A.A.M.C.			
		Field.		Fortress.											
		Companies.	Troops.	Companies.	Sections.	Troops.	Tank Section.	Head-quarters Supply Companies.	Head-quarters Horse Transport Companies.	Supply Sections.	Horse Transport Sections.	Field Ambulance.	Field Hygiene Sections.	A.A.O.C. Companies.	A.A.V.C. Sections.
New South Wales	2nd	5	3	2	23	5	1	3	3	7	4	4	3	4	4
Victoria	3rd	5	3	1	22	5	...	3	3	7	4	4	3	4	4
Queensland	1st	2	1	1	6	1	...	1	1	3	3	3	1	1	1
South Australia	4th	1	1	...	3	1	...	...	...	2	2	2	1	1	1
Western Australia	5th	1	...	1	4	...	...	...	...	1	1	1	1	...	...
Tasmania	6th	1	...	1	4	...	...	...	...	1	1	1	1	...	...
Total	...	...	15	8	62	12	1	7	7	21	21	21	10	10	10

(a) Two University battalions are not allotted to any specific battalion area.

STRENGTH OF MILITARY FORCES.

661. *Districts.*⁽¹⁾—There was little alteration in the numbers serving in the Australian military forces from the institution of the Commonwealth to the year of the introduction of the compulsory training system. From 1913 to 1918, however, the annual increase was considerable. As a result of the International Conference which met at Washington on the 11th November, 1921, it was decided by the Australian Government in 1922 that the universal training law was to be continued, but its operation was to be restricted to the more populous centres and to certain quotas only. From 1st July, 1922, to 30th June, 1925, training in the Senior Cadets was limited to two quotas instead of four, and in the Citizen Forces to two quotas instead of seven. On 1st July, 1925, Senior Cadet training was reduced to one quota only while Citizen Force training was increased to three quotas. These conditions remained in force until 1st November, 1929, when the constitution of the forces on a voluntary basis was adopted. During the period last mentioned, Senior Cadet training commenced on 1st July of the year in which Senior Cadets reached the age of 17 years, and on 1st July of the following year they were allotted to the Citizen Forces, in which training continued until the 30th of June of the year in which they attained the age of 21 years. Notwithstanding the reduction in training, all males residing within 5 miles of a training centre were required to register during the months of January or February of the year in which they reached the age of 14 years. Junior Cadet training of boys of the ages of 12 and 13 years which was in abeyance during the years 1922-23 and 1923-24, was also supervised by the Defence Department during the period 1st July, 1925, to 31st October, 1929.

662. Under the voluntary enlistment system now in force men from 18 to 40 years of age may be enlisted. The first period of enlistment is for three years, and on its completion, the member concerned may be re-engaged for successive periods of one year until he reaches the age for retirement (48 years). The normal period of training is 16 days per annum (including 8 days in camp of continuous training).

(1) See Table on next page (446).

663. The Senior Cadet Corps, in which enrolment is voluntary, is organised on the following basis:—(a) Detachments affiliated with Militia Units—Light Horse, nil; Infantry, Signals and A.S.C., 25 per cent. of the establishment of the Militia Unit; Other Arms, 20 per cent. of the establishment of the Militia Unit; and (b) Detachments consisting of pupils attending approved educational establishments. The ages for enrolment in the regimental detachments are 16 and 17 years, and in the school detachments over 14 years.

TRAINING STRENGTH OF MILITARY FORCES.

(1) District.					1901.	1932.
					(2) 1-3-01	31-3-32.
Army Head-quarters (Melbourne)	...	...	...	...	...	73
1st (Queensland)	...	...	...	...	4,310	3,369
2nd (New South Wales)	...	...	...	...	9,772	10,819
3rd (Victoria)	...	...	...	...	7,011	10,141
4th (South Australia)	...	...	...	...	2,956	2,477
5th (West Australia)	...	...	...	...	2,283	1,715
6th (Tasmania)	...	...	...	...	2,554	1,227
Total	...	...	...	...	28,886	29,821

(1) Approximately conterminous with boundaries of States.
over the military forces from States by Commonwealth.

(2) Date of taking

CLASSIFICATION OF LAND FORCES.

664. The following table shows the strength of the land forces in each State, classified according to nature of service, on the 31st March, 1932.

DISTRIBUTION OF LAND FORCES, (a) ACTIVE AND RESERVE LISTS.
31st MARCH, 1932.

Branch of Service.	Army Head-quarters.	1st Military District. (Q'ld.)	2nd Military District. (N.S.W.)	3rd Military District. (Vic.)	4th Military District. (S. Aus.)	5th Military District. (W. Aus.)	6th Military District. (Tas.)	Total.
Permanent Forces ...	(b) 65	133	595	477	87	116	63	1,536
Militia Forces ...	8	3,236	10,224	9,664	2,390	1,599	1,164	28,286
Engineer and Railway Staff Corps ...	2	9	10	12	11	9	5	58
Unattached List of Officers ...	4	56	124	100	14	22	8	328
Reserve of Officers...	...	772	2,190	1,945	528	459	211	6,105
Chaplains ...	4	41	81	88	27	24	14	279
Total	83	4,247	13,224	12,286	3,057	2,229	1,465	36,591

(a) Excluding civilian staff.

(b) Including cadets at Royal Military College of Australia.

MILITIA FORCES AND SENIOR CADETS.

665. The following table shows the strength of Militia Forces and Senior Cadets, by formations, at the 31st March, 1932:—

STRENGTH OF MILITIA FORCES AND SENIOR CADETS, BY FORMATIONS
31st MARCH, 1932.

State.	Military Formation	Militia Forces.	Senior Cadets.	
			Regimental Detachments.	Educational Establishments.
Victoria ...	Army Head-quarters ...	8	...	...
Queensland ...	Field Troops, 1st Military District	3,091	373	421
Queensland ...	1st District Base ...	145	11	...
New South Wales	1st Cavalry Division ...	1,954	79	68
New South Wales	1st Division ...	3,035	416	325
New South Wales	2nd Division ...	4,213	645	551
New South Wales	2nd District Base ...	1,022	149	...
Victoria ...	2nd Cavalry Division ...	1,633	82	...
Victoria ...	3rd Division ...	4,254	840	450
Victoria ...	4th Division ...	3,026	363	225
Victoria ...	3rd District Base ...	751	123	...
South Australia	Field Troops, 4th Military District ...	2,312	240	286
South Australia	4th District Base ...	78	2	...
Western Australia	Field Troops, 5th Military District ...	1,418	185	111
Western Australia	5th District Base ...	181	15	...
Tasmania ...	Field Troops, 6th Military District ...	1,085	90	15
Tasmania ...	6th District Base ...	79	15	...
Total ...		28,285	3,628	2,452

MUNITION SUPPLIES.

666. The Commonwealth have instituted a Munitions Supply Board. The explosives factories at Maribyrnong, Victoria, which manufacture explosives for cartridges and artillery ammunition, aeroplane dopes, nitro-benzine, and special paints, were established in 1911. The staff on the 30th June, 1931, numbered 134. In 1927 the Defence Department entered into possession by purchase of the works of the Colonial Ammunition Co., Ltd., at Footscray, Victoria, where in addition to rifle and pistol ammunition, big gun fuses and detonators and cartridge cases are also produced. The staff at 30th June, 1931, numbered 270. There is also a small arms ammunition factory at Lithgow, New South Wales, which had on its pay roll on 30th June, 1931, 245 employees.

Aerial Defence.

667. The present establishment of the Air Force includes the following units:—

- (a) Head-quarters Royal Australian Air Forces, with representation in London.
- (b) A Flying Training School.
- (c) An Aircraft Depot.
- (d) Two service landplane squadrons.

668. The present approved establishment of the permanent Air Force is 102 officers and 788 airmen, and of the Citizen Air Force 48 officers and 260 airmen. Three aerodromes are under the control of the Air Board; all other aerodromes and air routes have been taken over by the Controller of Civil Aviation. The three aerodromes under the control of the Air Board are situated in Point Cook in Victoria, Laver-ton in Victoria, and Richmond in New South Wales.

General Considerations.

669. Suggestions have been made in opposition to the proposal for Secession, though with a marked lack of conviction, that the defence problem of Australia is such as to make it desirable that Western Australia should remain under the control of the Commonwealth Government.

670. It is submitted, however, that there is not any force at all in that argument and that even if that argument has any force, it is insufficient to constitute a valid argument against Secession. In support of the above submission, the following declaration from the report of the Indian Statutory Commission which recommended the separation of Burma from India may be cited:—

(1) "We would first observe that, while it is doubtless a highly convenient arrangement from the military point of view that the whole of an area presenting a connected defence problem should be under one political administration, there are many illustrations in the British Empire where a single strategic plan must transcend political boundaries. The proposition that two areas in the British Empire which are politically quite distinct must none the less remain under the same Government because they present a common military problem goes much too far. *It is common allegiance to the same Crown, not common election to the same legislature, which ought to secure the due co-ordination of plan and of effort . . .* If both India and Burma are to look to a common source for protection they may surely do so as separate political entities . . . We see no reason whatever why it

should not be possible to combine political separation with satisfactory arrangements in the military sphere. . . . We conceive that the troops in a separated Burma would be under the control of the Governor for purposes of watch and ward on the frontier and in all internal matters in which it is necessary for the civil power to seek their assistance while, for anything more than merely local defence against raiders, Burma would be in the same position as other parts of the Empire, plans for the defence of which in an emergency devolve upon the Imperial authorities. It would be open to the latter, by agreement with the authorities in India, to arrange a concerted scheme of defence."

671. The present ineffectiveness of the Commonwealth system of Defence, so far as Western Australia is concerned, is also demonstrated by the following official observations:—

(1) "If Western Australia were invaded it would take three months to send one division of troops from the East."

(2) "Suppose the surprise attack had materialised, there is no doubt that the Capital would fall an easy prey to an invader. Perth would quickly be forced to capitulate, or it would be bombarded off the map."

672. Moreover, it may fairly be said that separated as they are by more than 2,000 miles the people on the Western Australian coast and the people on the Eastern Australian coast are not domestically interested in each other's local defence. Whether the defence of Western Australia and the defence of Eastern Australia be regarded as closely related questions or not, it does seem that the immediate and personal concern of both these parts of Australia is to "guard against 'hit and run' raiders—a danger to which the large industrial centres and railways on the seaboard are specially exposed." For anything more than such local defence against raiders the position must be exactly the same as stated in the foregoing quotation.

The Past, the Present, and the Future.

673. A separated Western Australia would be willing and anxious to continue to bear the cost of all such local defences as may be necessary. As to whether this would be done in co-operation and consultation with Britain or with the Commonwealth or with both, it is here unnecessary to pursue the matter any further except to make the observation that as such expenditure would then circulate in Western Australia she would thus enjoy an economic benefit which is denied her to-day, since the greater portion of her present contribution towards the defence of Australia is expended and circulates in Sydney and Melbourne. Furthermore, apart from any

(1) Major-General Blamey—vide "Daily News" 13/2/1934.

(2) Brigadier A. M. Martyn (State Commandant in Western Australia)—vide "Daily News" 13/2/1934 in commenting upon General Blamey's remarks.

assistance which might be forthcoming from Singapore or from Sydney (and both bases are of about equal distances from Fremantle, with Singapore the nearer of the two), the existing armaments available for defence from a raid upon the Western coast of Australia consists entirely of four 6-inch guns located at Fremantle. The range of these guns, on their present mountings, is 7 miles; that is their estimated range, because, so far as has been ascertained, during the twenty years or more since they were erected they have never been fired under service conditions—they have only been fired with a half charge. The sum of £232,000 is the annual sum which in the Commonwealth annual financial statement has been charged against Western Australia as her contribution towards the defence expenditure of Australia; and therefore it should not be beyond the resources of Western Australia, as a separate State to continue the upkeep of the existing garrison on the Western seaboard and the remaining units in this State as set forth in the preceding tables. Such defences could be augmented by arranging for the presence of a naval sloop to be based at Fremantle, and for the creation of the nucleus of an air force in Western Australia. Moreover, the construction of the Henderson Naval Base would then probably receive the consideration which it deserves.

674. With regard to the defence of the Empire generally, no reminder is necessary as to Western Australia's very substantial contribution towards maintaining the integrity of the Empire during the Great War, during which period the people of Western Australia distinguished themselves by carrying with an overwhelming majority the referenda of 1916 and 1917 in favour of conscription for military service overseas. Also the percentage of enlistments during the war was higher in Western Australia than in any other State of the Commonwealth. Neither has it been forgotten that as far back as the South African War in 1899—in pre-Federation days—offers of trained men were made to and accepted by the British Government, and that Western Australia readily took up her share of the burden. Much as they hope for world disarmament and for a permanent world peace, Western Australians may justly claim that under whatever political system they find themselves governed, they, in common with the people of the Eastern States, of New Zealand and of the other countries of the Empire, will not be found wanting should it ever again be necessary to demonstrate to the world that “in the face of danger the Imperial unity of Britain is a reality to be always taken into account.”

Summary.

675. The Defence position may therefore be summarised as follows:—

- (a) The existing armaments available for defence against a raid upon the western coast consist entirely of four obsolete 6-inch guns, located at Fremantle; and the training strength of the military forces in Western Australia was 1,715 in 1932, as against 2,283 at the time of Federation at 1901.
 - (b) The defence establishments of Australia, namely, the fleet and the naval bases, the fighting 'planes and the aerodromes, and the munition factories are located on the eastern coast of Australia, which is further away from Western Australia than is Singapore.
 - (c) This concentration of the defence establishments in the East, and the entire absence of any adequate defence in Western Australia exists, notwithstanding expert advice as to the necessity for an equal division of such establishments between the East and the West.
 - (d) As a separate Dominion, Western Australia could not be more undefended, or more vulnerable or exposed to any greater danger than she is to-day. On the contrary, her present per capita quota (£232,000) of the defence expenditure of the Commonwealth could then be applied towards building up the defence services in Western Australia.
 - (e) For anything more than local defence against raiders, a separated Western Australia would then, as now, "be in the same position as other parts of the Empire, plans for the defence of which in an emergency devolve upon the Imperial Authorities."
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CHAPTER 23—THE ECONOMIC CONSEQUENCES OF SECESSION.

676. Since the opposite of every truth is also true, the economic consequences of Secession, so far as Western Australia is concerned, are at once apparent from the discussion which has taken place in Division Three upon the economic effects of Federation upon Western Australia. It therefore becomes unnecessary in this chapter to dilate upon the undoubted economic benefits which would accrue to Western Australia upon her withdrawal from Federation—benefits which would accrue whether she adopted a policy of high protection or of free trade. It has been made quite clear, however, that Western Australia's aptitude for, and dependence upon, unprotected export industries is such, that from the economic viewpoint Western Australia desires to secede in order that she might thereby escape from the burden of the Commonwealth fiscal policy of protection and institute a low tariff, which will be more in keeping with the economic requirements of the State. "Your Commission is of opinion," reads the Majority Report of the Disabilities Commission of 1925 (at paragraph 129), "that if the State of Western Australia had not joined the Federation, that State might have imposed customs duties partly protective and partly revenue-producing, and derived advantage therefrom," and in paragraph 198 of that report the opinion is expressed that "the Customs Tariff the Western Australians would probably favour, in view of their present state of development, depending as they are mainly on the primary industries which have to compete in the markets of the world, would be similar to that which prevailed at the commencement of Federation" That was a considered opinion after hearing the evidence of the many witnesses who appeared before the Commission in 1925. It is to enable them to institute such a tariff that the people of Western Australia desire to secede.

The Economic Relations between Western Australia and the Eastern States.

677. In the absence of any mutual arrangement to the contrary, one effect of separation would be that imports into the Commonwealth from Western Australia would become sub-

ject to the then existing Commonwealth tariff, while imports into Western Australia from the Commonwealth would become subject to the new Western Australian tariff. If, however, it were found necessary in their mutual interests to arrive at a trade convention between the Commonwealth and Western Australia so as to mitigate the effect that would otherwise be produced by subjecting each other's commerce to the full tariffs, then it would appear that since both countries are included in the British Empire this could be done without infringing the most favoured nation clause in treaties with foreign countries. In approaching a consideration of the effects of separation upon the economic relations between Western Australia and the Commonwealth, there must always be borne in mind the main reason for Western Australia's desire to withdraw from Federation; and it is also well to remember that there is not the slightest mutual interest in the trade and commerce between the two units. The Eastern States depend upon none, and import little, of the production of Western Australia. Since the commencement of Federation exports from Western Australia to Eastern Australia have never exceeded an annual value of £1,500,000. For the five years ended 30th June, 1933, the average was £1,000,000, representing not a single item of any magnitude, but a miscellaneous collection including gold and comparatively insignificant parcels of produce, manufactures, and repossessed farming machinery, and even then, only half the value of those exports were of Western Australian origin. On the other hand, the annual imports from Eastern Australia have averaged slightly more than £8 millions, as detailed in Chapter 10 of this Case.

678. Western Australia requires, duty-free, iron and steel for her general development—the construction of railways, water-works, etc., machinery and equipment for her great agricultural and pastoral and mining industries, machinery for many factories which could well be commenced in the State, raw materials (*e.g.*, manufactured metals, textiles, sugar, etc.), and commodities which cannot be economically manufactured in the State and which are required by the consumers in Western Australia at a low cost (*e.g.*, wearing apparel, tools, etc., motor cars, parts and tyres). But because of Federation—and its concomitant of Australian protection and interstate free trade—Western Australian users and consumers cannot obtain those articles duty-free, and have to pay much higher prices for the benefit of the Eastern States protected manufacturers when these commodities are purchased from Eastern Australia.

The Economic Relations between Great Britain and Western Australia.

679. Most of these imports from the Eastern States are goods of a nature which—if Western Australia were free—could be imported direct—and at considerably less cost—from Great Britain and other overseas countries to which Western Australia must look for a market for the bulk of her agricultural and pastoral production. Western Australia's exports overseas, including exports of gold, averaged about £15,750,000 per annum over the five years ended 30th June, 1933. Since Western Australia desires only a moderate tariff, market opportunities here for Eastern States' manufacturers would then be limited only by the ability of such manufacturers to sell their goods in Western Australia at competitive prices—competing principally with the prices of British manufacturers. It is only fair to add that this may not be an easy matter for the manufacturers of the Eastern States, as is evidenced by the fact that at present the Commonwealth can find an export market for not more than 4 per cent. of its production from manufacturing.

A Market for British Manufactures.

680. It would appear, therefore, that the most natural trade convention for adoption by a free and independent Western Australia would be one with Great Britain rather than with the Commonwealth. Since Western Australia, unlike the Commonwealth, enjoys an absence of vested manufacturing interests, and is vitally concerned in preserving the overseas markets necessary as an outlet for such a large proportion of her primary production, and in securing her requirements in manufactures at the lowest cost, it should be possible for Great Britain and Western Australia to conclude an agreement which would put into the fullest practical effect the sentiments which were expressed at Ottawa, and which would demonstrate to the whole Empire the capacity of its component parts for real reciprocal trade within the Empire and all the benefits which flow therefrom. Consequential considerations such as these are discussed more fully in Chapter 25 of this Case.

CHAPTER 24—THE FINANCIAL CONSEQUENCES OF SECESSION.

681. The effect of Secession upon the public finances of the Commonwealth and of Western Australia is a question of major importance. The actual settlement, however, is obviously a matter for subsequent negotiation between the Commonwealth and Western Australia. Moreover, there are many debatable points which ultimately might, and probably would, have to be referred to and determined by a suitably appointed board of financial assessors. Nevertheless, it is necessary to consider general principles in order to form some idea of the financial effects of Secession.

682. For this purpose, therefore, this chapter contains an account of the issues involved, and a statement showing the approximate effect of separation on the public finances of the Commonwealth and of Western Australia respectively. The calculations have been based upon certain assumptions as to the basis of settlement—assumptions which, of course, must not be regarded as binding one way or the other.

683. If Western Australia is separated she would become responsible for that class of expenditure—politically and economically unavoidable or socially desirable—now made by the Commonwealth in or on behalf of Western Australia, e.g., war, invalid and old age pensions, and a just share of the Commonwealth debt. Customs and excise duties, however, sales tax, and other Federal taxes and revenues hitherto collected in Western Australia would then be payable to the State Treasury of Western Australia. It has been claimed by the State Treasury officials that the transfer would involve a substantial gain to the State Treasury. On the other hand, Federal Treasury officials have asserted that the Federal Treasury would enjoy an immediate benefit by such a transfer. It is not generally recognised that the conflict between these two opposite claims is more apparent than real, and that separation may result in an immediate benefit both to the State and Federal Treasuries. The possibilities in this direction will appear as the discussion in this chapter de-

velopes; and for the purpose of such discussion the calculations are based upon the accounts for the financial year ended 30th June, 1932—the latest year for which full details are available.

Additional Liabilities to Western Australia.

684. The liability to be taken over by Western Australia in respect of pensions and similar items can be readily and definitely ascertained, as can also the diminution of the revenues of Western Australia through the elimination of the payments at present paid to the State by the Commonwealth. The items in this class may be summarised as follows:—

	£
Invalid and Old-Age Pensions and Maternity Allowance	706,000
Commonwealth contribution towards Interest and Sinking Fund on State Debts; and Special Grants ..	893,000
	<hr/>
	£1,599,000
	<hr/>

685. There are other important matters, however, where the liability cannot possibly be calculated with such accuracy and precision; and in this connection the outstanding items are the apportionment of Western Australia's share of the Commonwealth debt, defence, the trans-Australian railway, and the transfer of the postal services. One result of these transactions would be that as between the Commonwealth and Western Australia, the State would assume liability for the service of an agreed proportion of the Commonwealth debt. The contractual relations between the Commonwealth and the holders of Commonwealth Bonds would remain unaltered. The Commonwealth public debt as on the 30th June, 1932, may be divided into two classes, namely:—

- (a) War debt ⁽¹⁾£286,000,000 (including a net indebtedness of approximately £80,000,000 due to the British Government and in respect of which principal and interest payments have been suspended).

- (b) Works and other purposes £113,000,000.

⁽¹⁾ As supplied by the Secretary of the Commonwealth Treasury, 30th September, 1932. File No. 2441/30/5911.

War Debt.

686. The war debt is not represented by assets. Of the remaining Commonwealth debt, part is represented by assets, *e.g.*, railways and postal works, while part is not now so represented. In calculating Western Australia's share of the war debt, for the purposes of this discussion, an allocation on a per capita basis has been assumed. The population of Western Australia represents 6.47 per cent. of the population of Australia (31st December, 1931); and on that basis Western Australia's share of the war debt would equal £18,500,000, involving an annual charge of £736,000 (plus £23,000 exchange) for the service of that amount of debt. The said amount of £736,000 represents 6.47 per cent. of £11,378,000, being the amount of interest and sinking fund paid by the Commonwealth on the total war debt during the year 1931-32; but it is not conceded that this debt should be apportioned upon a per capita basis. It is claimed that the allocation should be upon a basis much more favourable to Western Australia. Writing in "The Economic Record" (November, 1926) Professor L. F. Giblin points out that countries of the same race and civilisation are not of necessity equal in wealth or material resources, and if they contribute in proportion to a common cause the burden will be unequally felt. "When Ireland received Home Rule," he declared, "not even the bitterest opponent of Irish Self-Government proposed that she should be asked to carry any but a very small fraction of her per capita liability for the public debt of the United Kingdom. No agricultural portion of England or any other civilised country could possibly pay its share of the expenses of Government on a population basis" (page 150). It is further argued by the same authority that even if States are equally well endowed they may be at very different stages of development so that equal contributions would not be equitable.

687. Moreover, it is common knowledge that in proportion to population, the enlistments in Western Australia for Imperial War Service, far exceeded the enlistments in any other State. ⁽¹⁾The enlistments in the other States averaged 81.38 per thousand, whereas this State displayed its loyalty to the Empire by enlistments at the rate of 101.3—a greater enlistment by approximately 25 per cent. On this point it is maintained that quite apart from the other considerations which

(1) Pocket Year Book of Western Australia, 1933, p. 13.

have been mentioned, the allocation of the war debt should be in inverse ratio to the proportionate enlistments for war service.

Commonwealth Debt for Works and Other Purposes.

688. For reasons, which have already been stated, the proposition that the Commonwealth debt for works and other purposes should be apportioned on a per capita basis cannot be accepted. The only equitable method would be for Western Australia to assume liability for such amount of the works debt of the Commonwealth as would equal the value of the Commonwealth assets to be transferred to the State—a basis somewhat similar in principle to that upon which State properties were transferred to the Commonwealth at the time of Federation.

Postal Services.

689. In the annual report of the Postmaster General presented to Parliament on the 26th May, 1933, the capital value of fixed postal assets and equipment in Western Australia as at the 30th June, 1932, is shown at approximately £4,000,000. It is not necessarily agreed that this figure represents the fair value of the postal assets to be taken over, but it is accepted for the purposes of this discussion. If the interest in respect of this debt be included as a debit in the postal accounts, Western Australia's resumption of the postal services would apparently result in her being required to bear an annual loss of some £43,000 in respect of that department, less any savings which might arise from the benefits of local control, *e.g.*, the elimination of central office expenses. The details as disclosed by the above-mentioned report are as follows:—

POSTS, TELEGRAPHS AND TELEPHONES IN W.A.

	£
Working Expenses and Depreciation ..	674,073
Interest on Capital	186,863
	<hr/>
	860,936
Revenue	817,694
	<hr/>
Loss	£43,242
	<hr/>

Trans-Australian Railway.

690. The next consideration is that of the trans-Australian railway (Kalgoorlie to Port Augusta), the capital cost of which is some £6,500,000. The net result of the operations of

that line for the year ended 30th June, 1932, after taking into account interest and sinking fund on the total indebtedness, was a loss of £158,767, arrived at in the following manner:—

TRANS-AUSTRALIAN RAILWAY.

	£
Working Expenses	195,454
Interest	126 033
Sinking Fund	14,534
	<hr/>
Revenue	336,021
	<hr/>
Loss	177,254
	<hr/>
	<hr/>
Loss	£158,767

This line, as explained more fully in Chapter 16 of this Case, runs over the desert portion of Australia; and it is a matter for argument as to what liability, if any, Western Australia should assume in respect thereof. The capital for the construction of this railway was provided from funds obtained by the issue of Australian notes by the Commonwealth government. At the time of their issue the Commonwealth was liable for their redemption, *i.e.*, each note issued gave the holder the right to a claim for gold; but, by a recent amendment of the Commonwealth Bank Act, this right has been cancelled, and the notes are no longer redeemable—in other words the Commonwealth is no longer indebted to any one for the money required to build the trans-Australian railway. About one-half of the line runs over territory which is within the boundary of Western Australia, and for the purposes of the present calculation it is assumed that the State would accept liability for a half interest in the line at its full cost, which, of course, would hardly be the case, and the result would be an annual loss of some £79,000 to Western Australia.

Defence Expenditure.

691. For the year ended 30th June, 1932, the defence expenditure of the Commonwealth was £3,593,000, detailed as follows:—

DEFENCE EXPENDITURE IN AUSTRALIA.

	In Millions of £s.
Central Administration, Military and Munitions Supply ..	1.56
Naval	1.54
Air Services (including subsidies for the development of Civil Aviation) .. .. .	.49
	<hr/>
Total	3.59

692. On a population basis Western Australia's proportion of that expenditure would be £232,000, at which figure it has been taken into the statement. It is not possible to obtain the amount actually spent in Western Australia under this head, but as explained in Chapter 22 of this Case, there is every reason to believe that the actual expenditure here is only a fraction of the amount thus debited to the State on a population basis.

Federal Aid Road Grants.

693. This is an item (£384,000 for 1931-32) which it has not been customary for the State to take into Consolidated Revenue; as the amounts have been received from the Commonwealth they have been placed to the credit of a Trust Fund. Much of this expenditure by the Commonwealth could not be regarded as either necessary or economical. The grants were made subject to many onerous conditions and qualifications (including, for many years, a pro rata expenditure by the State), and in the main had to be utilised in constructing arterial roads alongside existing railways, thereby inviting unhealthy competition between rail and road transport into the country districts. It is most unlikely that Western Australia would continue this expenditure as a separate entity and the item as a prospective liability of Western Australia has therefore been disregarded.

Bounties.

694. Of the amount disbursed by the Commonwealth by way of bounties some £73,000 was received by Western Australia, chiefly on account of the gold bounty. This bounty has since been suspended by the Commonwealth, and the item is therefore ignored.

War Pensions.

695. On a population basis, Western Australia's liability for war pensions would be £482,000, at which figure it has been taken into account.

Civil Administration.

696. Concerning civil administration it is pointed out that many of the matters so to be transferred merely represent expenditure or services which have been duplicated by the Federal Government and that such services are already adequately catered for by many existing State departments of a similar nature. In this class there may be included matters

such as the Parliament, Courts, Crown Law, Health, Electoral, Taxation, Railways, Government Printer, Forestry, Industrial Arbitration, Statistics and Public Works.

697. Upon separation, however, the State would have to incur the cost of collecting Customs, etc., also administrative expenditure in Departments such as Bankruptcy, Pensions, Repatriation, Quarantine, Lighthouses, the management of its currency, and certain miscellaneous expenses. The Under-Treasurer of Western Australia estimates (on the basis of the accounts for the year 1931-32) that the cost of this additional civil administration would be not more than £150,000, as against £629,000, which represents the remaining balance of Commonwealth Departmental expenditure in or on behalf of Western Australia as allocated by the Commonwealth Treasury in respect of the year in question.

Additional Revenue to Western Australia.

698. It is now proposed to discuss what the additional revenue to the State would have been if, during the year under consideration, Western Australia had been free and independent and had imposed customs and excise duties and taxation similar to that imposed by the Commonwealth during that year upon the people of the State.

Direct Taxes.

699. The aggregation of the subject-matter of Commonwealth direct taxation is a cardinal feature of Federal Law and Practice; and when a taxpayer derives income from, or owns land in (as the case may be) more than one State in the Commonwealth, he is not assessed by the local branch of the Federal Taxation Department; the assessment is made and the tax collected by the Commonwealth at Central Office, Melbourne. The amount included in the statement represents the actual collections in Western Australia, plus a share of Central Office collections on a population basis; the details being as follows:—

DIRECT TAXATION.

	£
Income Tax	980,000
Land Tax	106,000
Estate Duty	39,000
	<hr/>
	1,125,000
Entertainments Tax	12,000
	<hr/>
	£1,137,000
	<hr/>

Sales Tax.

700. Commonwealth Sales Tax is payable to the Taxation Department by a manufacturer or wholesaler who almost invariably adds the tax to the amount of his invoice and collects the same from the retailer to whom he sells. The purchases made by the retailers in Western Australia from manufacturers in the Eastern States are considerable and although the Sales Tax in respect of such purchases is actually paid by Western Australians, it is credited in the Commonwealth taxation accounts to the State in which the manufacturer carries on business. The amount which has been taken into account under this head is £497,000, being the amount of the actual collections in Western Australia. It is probable, however, that this sum is less by £50,000 than the amount which should be credited to Western Australia.

Customs and Excise.

701. Various circumstances make it quite impossible to calculate with any degree of accuracy the amount of customs and excise duties, which would have been collected in Western Australia had she been free and independent during the year in question. Commonwealth customs and excise duties, like sales tax, may be paid in one State while the goods subject to the duty, are sold in another. According to a formula propounded in a ⁽¹⁾memorandum submitted to the Royal Commission on the Constitution by two eminent economists, Professors Giblin and Brigden (*i.e.*, that Western Australia's contribution to Commonwealth customs and excise as compared with the general average per head in Australia, was as 11 to 10) the amount paid by Western Australia during the year 1931-32 on account of Commonwealth excise, and customs duties on imports from overseas was £2,018,000. The actual collections in the State, namely, £1,670,000, have, however, been taken into account. But that is only half of the picture, because while Western Australia's total imports amounted to £10,656,000, no less than £7,927,000 represented imports from the Eastern States. Now, what customs duties would have been collected in respect of those imports from the Eastern States, if, during the year in question, Western Australia had been free and independent and had effected tariff and supplementary arrangements identical with that of the Commonwealth so that the cost to the consumers of such

(1) 1932 Report of State Disabilities Committee, p. 27.

imports would not have exceeded the said amount of £7,927,000? So far as it concerns one particular item of those imports, *i.e.*, sugar, the result may be illustrated with some degree of accuracy. The importation of sugar into Australia is prohibited by Proclamation under the Customs Act; and by arrangement between the Commonwealth and Queensland governments, Queensland sugar is sold in Australia at the wholesale price of £33 4s. per ton cash with order, as against the world parity price of about £7 per ton. The latter figure approximates the comparative price at which the surplus sugar production of Queensland is sold to the United Kingdom and to Canada. In 1931-32 the importations of sugar into Western Australia from Queensland were 17,454 tons, the recorded value being £524,000. Had that sugar been purchased from overseas (as it could have been had Western Australia withdrawn from Federation) or had it been purchased from Queensland at the same comparative price at which Queensland sells to the United Kingdom and to Canada—say at £7 per ton, or £122,000 in all—the Western Australian Treasury could have imposed duty to the extent of £400,000 without any burden upon the people of Western Australia other than what they bear to-day. Thus the burden of the sugar arrangement upon Western Australia represents a tax of £1 per head of the entire population of the State. Since most of the goods from the Eastern States are similarly inflated (though not to the same extent) on account of the Commonwealth's fiscal policy of high protection, it follows that the same principle applies, but with varying degrees, to the balance of the imports from the Eastern States. This fact may be more readily appreciated from a table and the accompanying remarks which appear in the Report of the Commonwealth Tariff Board to the 30th June, 1932, a table which, according to the Board, makes comparisons between commodities which are fairly comparable and which contains instances taken from cases recently inquired into by the Board, firstly because they represent important goods, and are typical of a large number of essentially important products, and secondly because the facts relating to them can be regarded as up-to-date. Extracts from this table are shown in Appendix No. 62 at the end of this chapter.

702. Nevertheless, the problem as a whole is impossible of an accurate solution; but some answer to the question must be obtained if the picture is to be completed. There are, therefore, set forth in Appendices Nos. 63 and 64, at the end of this

chapter, two methods of calculation which probably represent the minimum and maximum amounts of customs duty which (without any further burden upon the people of Western Australia) would have been collected in respect of the imports in question, had Western Australia been separated. The minimum figure is £2,140,000 and the maximum £2,812,000. It is clear that the first calculation understates the amount, and it is acknowledged that the second calculation may overstate it. A figure of £2,500,000 would probably be a close estimate. The minimum figure of £2,140,000 has been taken into account.

703. Thus the conclusion is arrived at that a very low estimate of the customs and excise duties which, without any added burden upon her people, would have accrued to Western Australia had she been separate and independent would be £3,848,000 as follows:—

	£
Actual collection of Excise on Western Australia's manufactures and Customs Duty on Imports from Overseas	1,670,000
Duty assumed to be included in cost of Imports from Eastern States	2,140,000
Total Customs and Excise	<u>£3,810,000</u>

704. It may here be pertinent to observe that the heavy fall in the price of Western Australia's principal exports—wheat and wool—has been such that notwithstanding an increase in volume, the value of Western Australia's exports has fallen considerably in recent years. This and other factors have involved a corresponding reduction in imports, so that the total imports into Western Australia during the year 1931-32 amounted to only £10,656,000 as compared with an average of £18,000,000 for the five years ended 30th June, 1930. An increase in prices for her staple products and a consequential restoration of her higher value of trade for those years would likewise involve an increase in the customs revenue of Western Australia.

Commonwealth Bank Profits.

705. That proportion of the profits of the Commonwealth Bank which were paid direct to the Sinking Fund in the year in question, amounted to £396,905 of which the share of Western Australia on a population basis would be approximately £26,000. This item, however, has been omitted from the estimates of additional revenue.

Other Revenue.

706. The transferred departments of the civil administration would produce certain additional revenue from matters such as marine, navigation fees, note issue, certain interest on trust fund investments, etc., bankruptcy and other miscellaneous sources. On a population basis Western Australia's share of such Commonwealth revenues for the year in question was £232,000.

A Financial Gain to Western Australia.

707. Upon these broad general principles therefore, and upon these assumptions—assumptions based upon the most unfavourable terms to Western Australia—it would appear that separation would mean an annual gain of some £2,332,000 to the State Treasury of Western Australia according to the following summary. This figure represents the surplus without taking any credit for possibilities and probabilities which might well increase Western Australia's gain by a further (1) £1,500,000.

THE EFFECT OF SEPARATION UPON WESTERN AUSTRALIA'S FINANCES.

ADDITIONAL REVENUE.						£
Customs and Excise Duties	...	...	...	...	...	3,810,000
Sales Tax	...	...	...	...	...	497,000
Direct Taxes previously collected by Commonwealth	...	...	...	...	...	1,137,000
Other Revenue previously collected by Commonwealth	...	...	...	...	...	232,000
						<hr/> £5,676,000
Deduct:—Commonwealth payments which would cease—						
Contribution to Interest and Sinking Fund on State Debts and Special Grant						
Grant	...	...	...	...	...	893,000
Total, Net Additional Revenue						<hr/> £4,783,000 <hr/>
ADDITIONAL EXPENDITURE.						£
Invalid and Old-Age Pensions and Maternity Allowance	...	...	...	...	...	706,000
War Pensions (on population basis)	...	...	...	...	...	482,000
Interest and Sinking Fund on War Debt (on population basis)	...	...	...	...	...	759,000
Defence, etc. (on population basis)	...	...	...	...	...	232,000
New Civil Administration and Treasury expenses	...	...	...	...	...	150,000
Loss on Posts and Telegraphs after debiting Interest and Depreciation	...	...	...	...	...	43,000
Half-Share of Working Loss, Interest and Sinking Fund on Trans-Australian Railway	...	...	...	...	...	79,000
Total, Additional Expenditure						<hr/> £2,451,000 <hr/>
Surplus available to Western Australia in respect of Separation						<hr/> £2,332,000 <hr/>

(1) The probable additional £348,000 in respect of existing Customs and Excise; the probable £672,000 additional duty equivalent in the cost of Imports from Eastern States; a probable £500,000 or more in respect of the allocation of the War Debt, etc., upon a basis more favourable than a per capita basis, and the more favourable arrangements as contemplated in respect of other matters.

708. The foregoing figures are based upon departmental reports and Treasury accounts and memoranda for the year 1931-32 as amplified in correspondence between Mr. H. K. Watson and the Secretary to the Commonwealth Treasury. It will be found, however, that, subject to the observations in paragraph 704 of this chapter, the variations from year to year will not materially alter the final result. Upon principles much along the lines of those enunciated herein ⁽¹⁾Mr. Watson in a statement "which did not purport to reveal the full financial benefits" as prepared by him in 1931, estimated a minimum gain of £2,000,000 based upon the accounts for the year 1929-30; while in respect of the year 1928-29 the ⁽²⁾State Treasury officials estimated a gain of £1,500,000 without taking into consideration the savings of some £500,000 which they estimate would arise from the eliminated expenditure on duplicated departments.

709. This gain of between £2,000,000 and £3,000,000 would permit Western Australia to re-arrange and reduce her tariff in such proportions as her economic requirements may dictate. Such a rehabilitation of the industries of Western Australia would result in increased production, and increased incomes, and therefore increased taxes (without any increase in the rates of tax) and increased revenues in respect of various State services, principally railways. The cumulative effect of these great economic benefits would do more than anything else to restore the finances of Western Australia to a position more in keeping with the highly satisfactory conditions which prevailed in the ten years of self-government which Western Australia enjoyed before Federation—and to a position to which it is essential that she should attain if the State is to pay her way and meet her extremely heavy obligations.

The Effect of Separation upon the Finances of the Commonwealth.

710. A rough estimate, but nevertheless a fair indication of the effect of separation upon the finances of the Commonwealth is furnished by the following statement, although it must be remembered that if separation were carried out on a more favourable basis to Western Australia—as it is main-

(1) "West Australian," 17th April, 1931.

(2) 1932 Report of the State Disabilities Committee.

tained it should be—then the benefit to the Federal Treasury as shown in the following statement would be correspondingly reduced.

EFFECT OF SEPARATION UPON FINANCES OF THE COMMONWEALTH.

GAINS.		£
Reductions in—		
War, Invalid and Old-Age Pensions and Maternity Allowance		1,188,000
Contribution to Interest and Sinking Fund on State Debts and Special Grant		893,000
Road Grant		384,000
Service on War Debt		759,000
Loss on Trans-Australian Railway		79,000
Loss on Postal Services		43,000
Defence Expenditure		232,000
Other Departmental Expenditure		629,000
		<hr/>
Total, Gains		£4,207,000
LOSSES.		
Revenue which would cease—		£
Existing Customs and Excise Collections in Western Australia	1,670,000	
Sales Tax Collections in Western Australia	497,000	
Direct Taxation in Western Australia	1,137,000	
Other Revenue from Western Australia	232,000	
		<hr/>
Total, Losses	£3,536,000	
		<hr/>
		3,536,000
		<hr/>
Surplus available to the Commonwealth in respect of Separation		£671,000
		<hr/>

711. The surplus available to the Commonwealth as shown above would be reduced to the extent, if any, by which the Commonwealth might not be able to effect a saving of the expenditure allocated by it as having been expended in or on behalf of Western Australia. On the other hand the said surplus would be increased by such amount of customs duties as might be levied by the Commonwealth upon imports into the Commonwealth from Western Australia. The value of exports from Western Australia to the Eastern States during the year in question was £1,000,000, and it has never been much more than that.

Currency and Banking.

712. In Chapter 6 of this Case there have been furnished copies of the balance sheet of the Commonwealth Bank and the Commonwealth Savings Bank, in which institutions the

people of Western Australia have a proportionate interest. In that chapter there has also been given a general outline of the existing circumstances relating to banking and currency in Australia.

713. In respect of currency there is more than one course which suggests itself as being open for consideration and adoption by Western Australia in the event of Secession. For example, the joint stock banks might be permitted to become banks of issue as was practised in Western Australia during the period before 1910; but the far more likely course would be to establish a central bank in Western Australia—a government owned institution whose functions would include, *inter alia*, the control of currency, the regulation of the volume of credit, and the control over the external value of the monetary unit; the issue and management of the Public Debt of Western Australia; acting as banker for the government of Western Australia and such local and other authorities as may be convenient; the buying and selling of gold and silver, foreign and other exchange, also Western Australian government securities and other government securities, and the granting of advances on such securities. It is noted that from the report of the Royal Commission on Canadian banking and currency there are pre-eminent advantages to the State in entrusting the special and highly technical functions of a central bank to a body “not subject to the vicissitudes of political life.” and it is submitted that of Western Australia it may also be said as the recent Royal Commission said of Canada:—“there are resources of intelligence combined with experience and public spirit fully adequate to insure the successful management of a central bank.”

714. It is neither necessary nor desirable that this or that particular course should be decided upon immediately. The question with all its ramifications calls for due consideration and deliberation at the proper time; and whatever may be the course of action which is ultimately decided upon in respect of these important matters, it should only be after consultation between His Majesty’s Governments in the United Kingdom, the Commonwealth of Australia, and Western Australia and their respective advisers and experts.

715. Whatever the ultimate decision may be, however, the adjustment of these matters should be effected with at least the same ease with which such matters were adjusted in respect of the separation of the Irish Free State from the control of the government of the United Kingdom.

Conclusion.

(a) *General.*

716. It may fairly be said, therefore, that separation will not involve any serious financial injury either to the Commonwealth or the State; but on the contrary will effect a profound improvement in the financial situation of Western Australia, leaving her with adequate resources for her present needs and a balance for development purposes greatly in excess of that which she obtains to-day.

(b) *Western Australia's Credit for Borrowing.*

717. As to the question of the effect of separation upon the credit of Western Australia and the possibility of Western Australia being able to borrow on terms as favourable as if she remained a part of the Commonwealth and continued to share the credit of the Commonwealth, it is submitted that there is no room for two opinions. A free and independent Western Australia could most certainly borrow upon terms at least as favourable as the Commonwealth. The financial rectitude of the State since the grant of responsible government in 1890 and her "capacity to pay" must stand her in good stead. It has been shown in Chapter 3 of this Case that of all the Australian Colonies in 1896-7, Western Australia alone enjoyed the credit necessary to go on the London market; and that at the inauguration of her Public Debt, Western Australia instituted a sinking fund whereby adequate provision was made for the repayment of her indebtedness. That policy of sound finance was pursued right up to the time of the Financial Agreement in 1928 when the Commonwealth took over the matter of raising loans for the States. At the time of the Financial Agreement her sinking fund amounted to approximately £9,000,000.

718. So long as she had charge of the raising of her own loans up till 1928, Western Australia was able to borrow upon terms at least equal to, and in many cases more favourable, than those secured by the Commonwealth, or any of the other States. Incidentally it may be mentioned that included in the conversions now being handled by the Commonwealth High Commissioner in London, there is a Western Australian 4 per cent. loan of £998,353 which fell due on the 15th January, 1934, and in respect of which misinformed opinion might conceivably express the view that Western Australia is fortunate in having the "backing" of the Commonwealth. As a matter

of fact the sinking fund accumulations which have been built up by annual contributions from the State Treasury of Western Australia in respect of this debt, amount to £1,150,000, which is more than sufficient to repay the loan. It is not generally appreciated that in order to meet the overseas interest commitments of the Commonwealth and State Governments, Australia must export produce to the extent of some £25,000,000 in British currency over and above her imports, and that of last year's adjusted surplus exports of £26,000,000 in British currency, Western Australia with a population of 439,000 accounted for £8,000,000 while the remaining States with a population of over 6,191,000 (or 16 times greater than that of Western Australia) accounted for the balance of only £18,000,000. This circumstance is all the more remarkable when it is remembered that Western Australia's commitments in respect of interest payable overseas is less than £2,000,000. It is felt that investors may, and do, rest assured in the knowledge that a free and independent Western Australia would offer a safe, desirable and profitable field for the public and private investment of capital—particularly British capital. And finally, adopting the language of the ⁽¹⁾Indian Statutory Commission, it may be said that in any event Western Australian opinion would prefer that Western Australian credit should be influenced by Western Australian policy rather than continue to be dependent upon the policy of her neighbours—a policy in which she herself exercises no effective control.

(¹) Indian Statutory Commission, Vol. ii., p. 187.

APPENDIX No. 62.

EXTRACT FROM TARIFF BOARD'S ANNUAL REPORT FOR YEAR ENDED 30th JUNE, 1932.
THE HIGH COST OF ESSENTIAL PLANT AND RAW MATERIAL IN AUSTRALIA.

Article.	F.O.B.	C.I.F.	Exchange.	Duty and Primage.	Percentage of Duty and Landing Charges on F.O.B.	Landed Duty Paid Cost.	Australian Manufacturers' C.I.F. Selling Prices.
Pls Iron, per ton ...	£ s. d. 2 18 6	£ s. d. 4 8 6	£ s. d. 1 2 7	£ s. d. 1 6 5	% 135	£ s. d. 6 17 6	£ s. d. 5 5 0
galvanized Iron, 26 gauge, per ton ...	13 5 0	15 18 1	4 1 1	8 6 8	114	28 5 10	20 0 0*
Crude Oil Engine, 1,100 h.p., ...	8,258 0 0	9,046 0 0	2,759 0 0	5,314 0 0†	107	17,119 0 0†	19,000 0 0
Metal Working Machine—Tools ...	42 0 0	46 0 0	10 10 0	30 0 0	106	56 10 0	95 0 0
Woollen Weaving Yarn—2/40 white, from 64s. per lb. ...	0 2 8	0 2 11	0 0 8‡	0 2 3‡	123.5	0 5 11‡	0 4 8
Cotton Yarns for Towels—per lb. ...	0 1 0	0 1 2‡	0 0 3	0 1 0	145	0 2 5	0 2 6

* Delivered free on wharf.

‡ Of the Duty here shown, £4,893 was remitted.

"Some of the comparisons in the foregoing table are startling. The Board regards the production of Woollen textiles as one of Australia's natural secondary industries and one in which an extensive export trade should be capable of development, and it is disconcerting to find that a yarn spun from fine Merino wool should cost 27d. per lb. in Australia as against 32d. per lb. for a similar yarn in the United Kingdom. The fact that the operation of exchange affects this and other comparisons is not overlooked, but even after making allowance for the influence of exchange on local costs there is still a marked discrepancy which cannot be ignored."

"The high cost of cotton yarn spun in Australia constitutes a serious charge on industries using such yarn as a raw material. For example, a yarn spun locally from Australian cotton costs 30d. per lb. as against 12d. per lb. for a similar yarn spun in Liverpool from American cotton."

"The table also shows the high cost of galvanised iron and of important plant and machinery. The price of the article is in several instances more than a cable the f.o.b. price of the comparable overseas product."

APPENDIX No. 63.

Statement showing for the year 1931-32:—

1. Total Overseas Imports into Western Australia.
2. Gross Customs Duty paid on such Imports.
3. Classified Imports to Western Australia from other States of the Commonwealth. (Duty assumed to be included).
4. Assumed Customs Duties which would have been collected on Interstate Imports if same percentage of Duty were collected as is collected on Total Overseas Imports.

1931-32.

Class No.	Description.	1. Oversea Imports.	2. Gross Duty Collected thereon.	Oversea Imports plus Duty.	3. Inter-state Imports (Duty assumed to be included).	4. Duty calculated at same rate as on Total Oversea Imports.
		£	Rate %.	£	£	£
1	Foodstuffs of Animal Origin ...	48,373	18·23	8,817	57,190	633,761
2	Foodstuffs of Vegetable Origin ...	153,548	50·80	78,009	231,557	1,237,699
3	Spirituous and Alcoholic Liquors ...	17,407	171·18	29,797	47,204	266,909
4	Tobacco ...	10,224	388·84	39,755	49,979	699,534
5	Live Animals ...	444	...	...	444	146,038
6	Animal Substances ...	1,333	42·39	565	1,898	10,803
7	Vegetable Substances and Fibres ...	43,444	7·12	3,095	46,539	49,313
8a	Apparel ...	20,657	40·20	8,304	28,961	1,418,149
8b	Textiles ...	440,822	13·52	59,619	500,441	317,084
8c	Manufactured Fibres ...	396,479	0·21	827	397,306	80,525
9	Oils, Fats and Waxes ...	496,491	86·20	428,422	924,913	72,887
10	Paints and Varnishes ...	3,910	32·66	1,277	5,187	75,508
11	Stones and Minerals ...	20,153	2·65	534	20,687	134,315
12a	Machines and Machinery ...	192,473	22·53	43,365	235,838	465,145
12b	Metal and Metal Manufactures	202,233	13·78	27,876	230,109	569,954
13a	Rubber and Rubber Manufactures	8,250	11·03	910	9,160	331,143
13b	Leather and Leather Manufactures	1,458	52·19	761	2,219	77,165
14	Wood and Wicker ...	18,481	43·17	7,079	26,460	144,212
15	Earthenware, Cements, etc. ...	29,294	30·22	8,854	38,148	66,979
16a	Paper and Stationery ...	91,499	7·92	7,250	98,749	59,560
16b	Stationery and Paper Manufactures	64,114	19·08	12,280	76,344	161,239
17	Jewellery and Timepieces and Fancy Goods	16,032	44·91	7,209	23,261	95,729
18	Optical, Surgical and Scientific Instruments	12,179	14·00	1,705	13,884	63,459
19	Drugs, Chemicals, and Fertilisers	280,970	5·04	14,152	295,122	363,917
20	Miscellaneous	158,627	7·26	11,517	170,144	385,471
21	Gold and Silver and Bronze	48	...	...	48	360
	Total ...	2,728,963	29·42	802,829	3,531,792	7,926,858
						2,140,620

Excess Cost £2,140,620 = duty of 37 per cent. or 27 per cent. of total cost.

NOTE.—It is, of course, clear that the excess cost of £2,140,620 which consumers in Western Australia pay in this connection is not a contribution to the revenue of the Commonwealth, but is the price Western Australia pays to support the secondary industries of other States. Moreover it is reasonable to assume that the amount stated under-estimates rather than over-estimates the effects of the subsidy on added costs borne by consumers in Western Australia. The Tariff has operated to restrict imports into Western Australia from overseas and to increase imports from other States; overseas imports to the Commonwealth are confined, in general, to raw materials which are processed in the secondary industries. Were the comparison in the foregoing table to be dissected in detail it would be found that the rates of duty paid on overseas imports in this State are lower than the duties on the processed commodities of the same classification imported from other States; therefore the calculation based on similar rates of duty has the effect of under-estimating the cost of the tariff to Western Australia. Moreover, the above calculations do not take into consideration the full effect of the Sugar Embargo.

APPENDIX No. 64.

STATEMENT SHOWING FOR THE YEAR 1931-32 :—*1. Classified Dutiable Imports into Western Australia from Overseas. 2. Gross Customs Duty paid on such Imports. 3. Classified Imports to Western Australia from a other States of the Commonwealth. 4. Assumed Customs Duties which would have been collected on Interstate Imports if same rate of Duty were collected as is collected on Overseas Dutiable Imports.

Class No.	Description.	1. Overseas Dutiable Imports.	2. Gross Duty Collected thereon.	Overseas Dutiable Imports plus Duty.	3. Interstate Imports (Duty assumed to be included).	4. Duty at same rate as on Overseas Dutiable Imports.
		£	£	£	£	£
1	Foodstuffs of Animal Origin ...	38,534	8,817	47,351	633,761	118,005
2	Foodstuffs of Vegetable Origin—					
	†Sugar ...	...	...	...	...	...
	Other ...	...	...	...	...	...
3	Spirituous and Alcoholic Liquors ...	122,731	78,009	200,740	324,817	402,667
4	Tobacco ...	17,326	29,797	47,133	712,852	277,014
5	Live Animals ...	10,214	39,755	49,969	268,909	108,487
6	Animal Substances ...	...	...	...	693,534	356,549
7	Vegetable Substances and Fibres ...	...	...	...	140,038	...
8a	Apparel ...	4,284	3,005	7,379	10,803	9,289
8b	Textiles ...	16,321	8,304	24,625	49,313	20,682
8c	Manufactured Fibres ...	398,239	59,619	457,858	1,418,149	478,190
9	Oils, Fats, and Waxes ...	36,829	827	60,656	317,084	41,281
10	Paints and Varnishes ...	357,871	428,422	786,293	80,325	1,005
11	Stones and Minerals ...	2,774	1,277	4,051	72,587	39,709
12a	Machines and Machinery ...	3,642	594	4,236	75,508	23,800
12b	Metal and Metal Manufactures ...	117,771	43,363	161,139	134,315	17,175
13a	Rubber and Rubber Manufactures ...	4,679	910	5,489	463,145	123,171
13b	Leather and Leather Manufactures ...	1,350	701	2,111	569,954	141,568
14	Wood and Wicker ...	8,573	7,979	16,552	331,143	54,904
15	Earthenware, Cements, etc. ...	25,585	8,854	34,439	77,165	27,815
16a	Paper and Stationery ...	36,371	7,250	43,621	144,212	69,525
16b	Stationery and Paper Manufactures ...	10,548	12,280	31,778	66,979	17,220
17	Jewellery, Timepieces, and Fancy Goods ...	12,084	7,209	19,293	59,560	9,965
18	Optical, Surgical, and Scientific Instruments ...	4,531	1,765	6,296	161,239	62,045
19	Drugs, Chemicals and Fertilisers ...	111,742	1,765	125,894	95,729	17,350
20	Miscellaneous ...	55,472	11,517	66,989	63,439	26,764
21	Gold, Silver, and Bronze ...	...	...	...	363,917	40,994
		...	...	...	385,471	66,292
		...	...	...	360	...
		1,513,827	802,829	2,316,656	7,926,858	2,812,435

†Recorded Value of Sugar Imported from Eastern States in 1931-32 :—17,454 tons
Price at which Sugar could have been purchased but for Sugar Embargo :—£17,454 tons at 57 ...

Portion of cost equivalent to Duty ...
*Figures prepared by the Commonwealth Statistician are available showing, in respect of Australia, the free imports and dutiable imports under each of the above cases. A similar analysis of the overseas imports into Western Australia is not available; and the percentage of dutiable imports to total imports in each class has therefore been calculated on the percentage for the Commonwealth in respect of each class.

CHAPTER 25—THE EMPIRE OUTLOOK — EMPIRE SETTLEMENT AND RECIPROCAL TRADE WITHIN THE EMPIRE.

The Resources of Western Australia.

719. In Western Australia all the elements exist for the permanent settlement of a large population, and the production of great wealth. The State is blessed with productive agricultural, pastoral and orchard lands of vast areas, a regular rainfall, and one of the most temperate climates in the world. The agricultural and orchard lands comprise an area in the South-West corner of the State, approximately the size of Great Britain. The pastoral lands of the State comprise a vast area of some 195,000,000 acres.

720. Besides possessing rich gold-bearing belts, including the world-famous "Golden Mile," from which £102,000,000 worth of gold has been won, the State also has valuable coal fields, iron deposits, as well as numerous other marketable minerals, and also large forests of valuable timber.

The Future Development of Western Australia.

721. By the development of mining by scientific research, and technical assistance in the agricultural and pastoral industries, by the establishment of a sound plan for the development of the great North-West portion of the State, and above all by closer settlement in the cultivable area of the State there is opportunity, almost unlimited, for the development and population of the country. British statesmen must recognise, as our people recognise, the "danger of invasion of Australia by excluded races." All must realise that the most effective means of holding Australia for the British race is to populate the country with British people. An appreciation of the great issues involved in this problem is evident from the following extract from an article dealing with a meeting of the Economic Advisory Council under the chairmanship of Viscount Astor who said:—

(1) "When the time comes for the Dominions to welcome migrants, it might be economically advantageous to Britain to supply them, but migration within the Empire has more important aspects than the purely economic ones. In the interests of the unity of the Empire and the security of the Dominions, additional population for the latter is of primary importance.

(1) Quoted in W.A. Parliamentary Debates, 30th August, 1933, p. 664.

"Maintenance of substantial immigration to Australia may in the long run prove vital to the avoidance of serious international issues. We believe that the growth of the British population in the Dominions will become an important factor in maintaining world peace. When the present depression has passed it will be again desirable for Britain substantially to support financially overseas settlement."

Great Britain's Surplus Population.

722. It is well known that every humanitarian and statesman in England is looking for some outlet for Great Britain's surplus population; and it is claimed that no more congenial outlet exists than in this land of Western Australia; but, in the words of the Right Honourable J. H. Thomas, P.C., Secretary of State for the Dominions:—"Before you give encouragement to thousands of Britishers ready to go to the Dominions, the Dominions must be equally ready to receive them and give them a fair chance."⁽¹⁾ From Mr. Thomas's speech, in which that statement appeared, it can be gathered that the British Government would not hesitate to incur expenditure in any Empire settlement scheme offering assured prospects of success.

How Federation Prevents Empire Settlement Schemes.

723. The Commonwealth cannot of itself induce land settlement; it has no control over the land or, except for naval and military purposes and in time of war, over the railways of the States. The State controls the land within its boundaries, and the facilities for transport. The State, therefore, has the potentialities for success in its land settlement schemes; but it has no control whatever over the main factors which influence the profitable production of the various commodities. The State can give no guarantee that any contract it may enter into with prospective settlers, may not be rendered nugatory and abortive by the cumulative effect of over-riding Federal taxation and legislation in the form of tariffs, income tax, land tax, sales tax, etc., and the Navigation Act. This applies not merely to Western Australia but to all the States of the Commonwealth.

724. It follows then that under the existing system of Federal government, Western Australia can never hope to afford prospective British migrants that "fair chance" which is absolutely essential to the success of any scheme for the settlement of British migrants overseas. This statement is made

(1) "West Australian," 16th November, 1933. Report of Speech in House of Commons in England.

without an exhaustive exposition, because it is felt that such is unnecessary.⁽¹⁾ Moreover, it has been acknowledged, even by the Commonwealth government,⁽²⁾ that freedom from Commonwealth tariffs is a condition precedent to the development of the North and North-West of Western Australia. It was the necessity for these free imports, and the Constitutional impossibility of granting any State or any portion of a State freedom or exemption from the Commonwealth tariffs that induced the ⁽³⁾Commonwealth to approach the State with the proposal that Western Australia should surrender to the Commonwealth the northern portion of the State. But freedom from Commonwealth tariffs, etc., is equally essential for the profitable conduct of industries in the other portions of Western Australia. The North—and all the other portions of the State—would automatically secure the requisite tariff relief and other relief upon the withdrawal of Western Australia from the Commonwealth. The Western Australian government could see no good purpose in the transfer of the North, and declined to agree to the Commonwealth's proposal. "In the three best consecutive pre-war years (1911-1913), when Australia was spending borrowed money at the rate of about £20,000,000 a year, the increase of population by net immigration was 207,816. In the three best post-war years (1925-27), when Australia was spending borrowed money at the rate of about £40,000,000 a year, the increase of population by net immigration was only 128,501, or 61 per cent. of the former figure. In 1928 the net immigration was only 27,352. In the early months of 1929 there was actually an excess of departures over arrivals; before the year ended the Australian government had suspended assisted immigration altogether."⁽⁴⁾

(1) Prefacing its discussion upon the question of assisted migration, the British Economic Mission in its Report of 1929 (at par. 36) observes:—"The fiscal and financial system and the industrial conditions of Australia to which we shall have occasion to refer later, and the high level of prices resulting from them, may not be conducive to migration." Following upon a consideration of the terms of the £34,000,000 Migration Agreement and the advantages of migration generally, the Mission's Report concludes as follows (at par. 44):—"But all measures designed for the increase of Australia's wealth production and power of absorbing new population tend to be defeated if there are strong forces within her which operate so to raise her costs of production that she cannot sell her products in the markets of the world, and is restricted within the limitations of her own home market. Here we approach the most vexed, and the most important of all Australian questions, that of the combined effects of the protective customs tariff and of the legislative enactments, both of the Commonwealth and of the States, for the fixing of wages and conditions of labour, which we will call, for brevity, the Arbitration Acts."

(2) Commonwealth Development Plan for Empty North—"West Australian," 15th July, 1933.

(3) "West Australian," 27th July, 1933.

(4) Professor Hancock, "Australia," on page 153.

The Dangers of Federation.

725. So far as Australia as a whole is concerned, it may fairly be said that Federation, or the Federal form of polity:—

- (a) is detrimental to the stimulation of any land settlement schemes;
- (b) hinders the increase of the population necessary to the defence of Australia and prevents adequate defence in other directions;
- (c) further arrests the natural progress of our staple and other industries by an impossible tariff and excessive taxation generally; and
- (d) is inimical to the best interests of the Empire by failing to assist in the equitable distribution of the surplus population, particularly of Great Britain.

726. By not offering British migrants the necessary "fair chance" Australia thereby virtually excludes those prospective settlers from this country. It must be emphasised that the above conditions are created by the Constitution itself, and that those conditions are at the present time aggravated by the fall in prices of primary products; and, therefore, that under the present conditions the government of Western Australia cannot honestly recommend land settlement or immigration.

The Possibilities after Secession.

727. Approximately one-third of Western Australia's public debt has been expended in advances for land settlement and development, while another one-third has been expended on railways. These are the principal securities for the loans from England. Western Australia must have more people on its already alienated lands. Closer settlement and profitable production means that the State Government will then be more certain of receiving the principal due to it in respect of its advances for land settlement; it also means that the railways will then be made to pay. These factors will tend to facilitate the necessary arrangements by the State for the payment of interest in respect of its public debt and the redemption thereof.

728. Western Australia has the lands and railways ready for more settlement and speedy development; but she has not the people. Great Britain, on the other hand, has the people and the available capital. Great Britain desires to settle her surplus people in, and trade with, the Dominions. These respective assets, needs, and desires should be capable of co-ordination for the benefit of both countries. While Western Australia remains within Federation, however, such co-ordination is impossible; but with Western Australia an independent unit of the Empire, free from the policy of protection and the other burdens of Federation, and free to institute fiscal and other policies essential to the profitable production of her primary commodities, such co-ordination would immediately become practicable.

Reciprocal Trade between Great Britain and Western Australia.

729. Great Britain can and does trade with foreign nations. It appears that she will be compelled to continue so doing. They buy so much of Britain's goods. On the other hand, Australia, it is regretted, does not want British goods or British people, except on Australia's terms. There is, undeniably, great force and logic in the following statement contained in a memorandum submitted by the Federation of British Industries to the British Government on the 12th October, 1933:—⁽¹⁾“The field of bilateral negotiations should be extended with such countries as are prepared to make reciprocally advantageous agreements with Great Britain for a mutual increase of trade.” Great Britain, there is no doubt, desires to find those countries within the Empire. The late Lord Melchett said a few years ago:—“The idea of a British Empire with no kind of hampering barriers between its members, with a trade secured against the rest of the world and with rationalised industries may seem a fantastic dream and in its entirety may never completely come about . . . but I do believe that it is not beyond the bounds of human endeavour to arrive at arrangements between us in which all the resources of the Empire will be used for the best advantage of all, and when arrangements could be made to encourage the production of commodities of the most suitable character by which the increases and developments of old and new industries could be co-ordinated.” With an inspiring faith in the

(1) “West Australian,” 4th November, 1933.

future of their State and of the Empire and with a keen realisation of the immense benefits of Empire development and reciprocal trade with the Empire, the people of Western Australia believe that upon her withdrawal from Federation, Western Australia will be able to offer, and Great Britain will accept, a proposal for a mutual agreement of the kind indicated by Lord Melchett. With her reduced tariffs and other policies, and with her present population in profitable employment, Western Australia could then announce that she was ready to receive settlers from Great Britain, and to give them a "fair chance"; that the State could offer a safe and fruitful field for private, as well as public, investment of British capital. With wise administration any such mutual arrangement between the two countries must inevitably work for the benefit of both. With increased settlement in Western Australia, reciprocal trade with Great Britain would increase. Moreover, such desirable and beneficial results would be equally pronounced in their effect upon British shipping, the present condition of which must be viewed with the deepest concern. The ships would then carry cargo both ways instead of coming out from England in ballast as is the case at present with very many of the ships engaged in the Australian trade. Great Britain would buy our goods. We would buy hers.

730. The possibilities of markets for British manufactures in a free and independent Western Australia are great, because, with rare (if any), exceptions, the secondary industries in Western Australia are confined to the manufacture of primary products, or imported manufactured material into commodities for home use or export. All these industries demand that the machinery and necessities for this conversion shall be purchased on the lowest basis if they are to compete favourably with other nations.

The "Empty North."

731. So far, the discussion in this chapter has been confined largely to the consequences of Secession and the possibilities for Empire settlement in, and reciprocal trade with, the cultivable areas in the South-West portion of the State after Secession. There is, however, another special problem—essentially an Empire problem—which presents itself to the Western Australian Government and which must always be borne

in mind in any long-range and wide-visioned policy for the development of the State as a whole. That special problem is the development and settlement of the north and north-west territory of Western Australia. The area of that portion of the State above 26 degrees of south latitude is 562,015 square miles, and its population is 5,540. In certain areas along the extreme coastal fringe of this vast territory there is a limited scope for tropical agriculture; there is an extraordinary visible iron ore deposit of some 97 million tons (with a pure iron content estimated to range from 63 per cent. to 69 per cent.) at Yampi Sound; but almost the whole of the area may best be described as pastoral land within the tropics. The areas of the sheep and cattle stations range from a few thousand acres up to one million acres.

Its Possibilities.

732. The matter was discussed in July, 1933, by the then Honorary Tropical Adviser to the Government of Western Australia, Mr. F. J. S. Wise, M.L.A., who was a member of the North Australian Commission which in 1929 inquired into a proposal for the development of the Northern Territory and the northern portions of Western Australia and Queensland by British capital, Mr. Wise then expressed the following view:—

(1) "The land, as I have stated, is suited in the main to pastoral occupation, and much of it could be developed and utilised by similar methods to those adopted in the Argentine, which really amount to a gradual migratory movement of cattle from the breeding ranges of the back country to the more accessible and arable coastal fringe. Not ten per cent. of the excellent beef cattle of the Argentine are finally sold by those who breed them, and therein lies the secret of the success of that land.

"In the northern parts of this State, and especially adjacent to Wyndham, is some fine land suited to the raising of crops which would serve for fattening or topping off cattle. If the markets of the world demanded, and the finance needed for proper development were available, there would be a very big future for this area. Empire requirements of beef could well be supplied from the vast north land of Australia, but immense sums are needed for the initial stages of its development. . . . I do not agree that a long line of railway from Broome to the Gulf of Carpentaria would be the best means of opening up this land. . . . Rather would three short railways serve the needs and foster the profitable development of the country. Broome or Derby would best serve the land south and west of Hall's Creek, whilst Wyndham is undoubtedly the natural port of all the country from the Katherine River westward, including Wavehill, in the Northern Territory. .

On this side of Australia I am very strongly in favour of Wyndham's claims as a port. It is the natural port of the greater part of the Northern Territory.

"Closer settlement pastorally would overcome many existing difficulties—and bring along new ones—but without closer settlement by a more effective pastoral occupation there is little hope of agricultural development, unless it follow as a natural sequence of a great population. . . . Whoever provided the capital would have ample opportunity for repayment. The earning capacity of the land is undoubted. A great deal depends upon the market for the products. If this land has been profitably held and developed under existing conditions, when facilities were afforded for complete development of the natural resources, a much greater profit would be shown. For example, there are at present millions of ungrazed acres, for the reason that no water is available where the feed is, but it has been proved in recent years that water exists at very shallow depths."

An Empire Problem.

733. Unquestionably, the development of the North of Western Australia can only be handled as an Empire development plan. Recent events must have impressed not only the Western Australian Government but also the Commonwealth and British Governments, of the paramount necessity of developing and populating the North as speedily as possible for defence and other purposes.

734. Always mindful of the highest national interests of the Empire, and of Australia, successive Western Australian governments have incurred considerable expenditure (approximately £4,000,000) in respect of this area; the erection of the Wyndham Meat Works and the establishment of the State Shipping Service may be cited as illustrations of the State Government's activities in the servicing of the north-west territory of the State. It may fairly be said that the expenditure on the part of the State in this territory has contributed materially towards the retention of population and the continuance of economic activity in what otherwise would be a completely unoccupied part of Australia. The services provided by the State have not only maintained the population in the northern part of Western Australia, but have been an important and even necessary auxiliary to the efforts of the Commonwealth Government in settling the Northern Territory.

735. Australia has neither the money nor the population necessary to develop the North. For the adequate development of its northern areas Western Australia must have the co-operation of the British Government.

736. With Western Australia free from Federation, it should then be possible, with much prospect of success, for the Western Australian Government and the Commonwealth Government to co-operate with each other and with the British Government in launching a well-planned and vigorous attack upon the problem of developing and populating the "Empty North" from the West Coast of the Continent to the East.

Co-ordinating the Empire's Economic Resources.

737. It will be seen from what has been set forth in this chapter that Secession will afford greater opportunities for co-operation between the people of Great Britain and the people of Western Australia; for the co-ordination of Empire economic resources; and for "the redistribution of the white population of the Empire in a manner most conducive to the development, strength, and stability of the whole." These are the facts, and these are the motives, which so largely govern and pervade the decision of the people of Western Australia in respect of their desire to withdraw from the Commonwealth.

CHAPTER 26—SUMMARY AND CONCLUSION.

738. The closing chapter of this, the Case for Secession, has now been reached, and it is proposed to present in this chapter a summary of the whole volume.

739. The question of Secession obviously involves a proper appreciation of the geographical and economic circumstances of Australia and the Australian States, of the Australian Constitution and its endless problems, of the pre-Federal and Federal history of Australia and the Australian States, of the constitutional, financial and economic effects of Secession upon Western Australia and the Commonwealth of Australia, of its general effect upon Imperial relations and Empire trade, and of many other matters of the greatest magnitude and importance, and, therefore, it will be realised that it is impossible to set forth adequately in a few paragraphs all the various considerations to which it gives rise.

740. With these reservations, and with the further qualification that the bald statements which follow must only be read in conjunction with the facts which have been advanced, and the conclusions which have been arrived at throughout all the various chapters of this Case, an attempt is now made to present a summary of the outstanding features of this Case of the people of Western Australia in support of their desire to withdraw from the Federal Commonwealth of Australia.

Summary.

741. (i.) The objective imposed upon a people by the laws of nature is the attainment of its own welfare and safety. That must also be an everlasting duty, which a people owes to itself. The only reason for the existence of a set or sets of institutional machinery is to provide the people with the ostensible means of prosecuting the pursuit of that objective and the performance of that duty; and if the institutional machinery so erected becomes destructive of that objective, then the duty which a people owes to itself is to alter or abolish it and institute a new set of institutional machinery in such form and upon such principles as will be more likely, in the opinion of that people, to effect the attainment of its

welfare and safety. Any system of government in Western Australia, therefore, should exist for the welfare and safety of the people of Western Australia.

(ii.) If self-government is to be a reality, it must be applied to political units of a suitable size, after taking into account all relevant considerations. Representative democracy, as it is understood in Great Britain, and in British communities, depends for its success on the possibility of a close contact between elector and elected person. Unless this is secured, it is not real representation at all.

(iii.) The self-governing Colony of Western Australia prospered and developed in the days before Federation, and her people displayed conspicuous ability for responsible government. The people still possess that ability for responsible government, but Federation has to all intents and purposes destroyed the scope within which it may be enjoyed.

(iv.) Western Australia's entry into Federation was a great historical accident due to two forces of external origin.

(v.) (a) The creation of a uniform tariff wall around the whole of its component States (with its accompaniment of free trade between those States) is the real economic fundamental of the Australian Federation; without that fundamental the Commonwealth could not have come into being—without it it could not continue to exist.

(b) Protection is the established fiscal policy of the Commonwealth; it has been more than a policy; it has been a faith and dogma. That policy has always been, now is, and ever will be maintained by the dominant representation of the great manufacturing centres of Melbourne and Sydney in the Federal House of Representatives.

(c) Western Australia (whose capital, Perth, is some 2,400 miles from Sydney) is poor in manufacturing industries. The successful conduct in Western Australia of those manufacturing industries specially suited to the needs of the State is impossible, because interstate free trade exposes the Western Australian manufacturer to unrestrained and unfair competition from the powerful and old established manufacturers in Eastern Australia; and, as a result, the people of Western Australia are precluded from this avenue of employment.

(d) Western Australia has a natural aptitude for unprotected industries; she is essentially a primary producing

country, her staple products for many years having been wheat and wool, in that order. Gold production, which is in a class of its own, has enjoyed a revival in recent times due to the enhanced value of gold. The almost total dependence of Western Australia upon the overseas market (chiefly Britain) for the disposal of the production of the State, renders it economically and financially imperative that the profitable conduct of the primary industries—the export industries—of Western Australia should not be retarded by a fiscal policy of protection but should be facilitated by a low tariff. Since Western Australia is required to sell her production at world parity prices, such production, if it is to be profitable, must be effected at world parity costs.

(e) A low tariff would also substantially lower the cost of the plant and machinery and the raw materials necessary for the conduct of natural manufacturing industries and would, therefore, promote the establishment and efficient conduct of such industries in Western Australia. If, for any special reason, and notwithstanding this lowering of manufacturing costs and the general efficiency of that industry, any secondary industry specially suited to the needs of Western Australia still found itself unable to compete against imported commodities, then it would be right and proper for an adequate and reasonable protection to be afforded to that industry.

(f) Her vital needs, therefore, demand that a low, well-balanced customs tariff must constitute the chief element of any fiscal policy for Western Australia. Another, and economically desirable result of such a customs tariff, is that it would enable the people of Western Australia, at a much lower cost than at present, to purchase from overseas (chiefly from Britain) or from the Eastern States, if the Eastern States could sell at favourable competitive prices, that very considerable proportion of their manufactured requirements which cannot be economically manufactured in Western Australia.

(g) So long as she continues within Federation, Western Australia will ever present the picture of a community obliged to earn in the unprotected world market the credits with which to pay for the goods purchased in the highly protected Australian market; of a community whose primary industries bear the full force of the burden of protection, but whose manufacturing industries derive none of the compensating benefits for which a policy of protection is invariably

designed; of a community which is at once subjected to a "protection" which does not protect and a "free trade" that is neither free nor fair. The inevitable difficulties of world depression have, of course, served to aggravate these inherent disabilities of Western Australia as a State of the Commonwealth. Irrespective of whether she adopted a fiscal policy of protection or of free trade, a free and independent Western Australia in control of her own customs tariff, would be in a more satisfactory position than if she were to remain within Federation. The question, therefore, does not resolve itself into an extension of the historic controversy of protection versus free trade.

(h) There is the greatest divergence between the economic interests of Western Australia and those of the Eastern States; and it is impossible to frame a single tariff which will meet the varying needs of the whole continent.

(vi.) *The burdens, direct and indirect, which have been placed upon the staple industries of Western Australia by the Commonwealth fiscal policy of protection, have so increased the cost of production in those industries that they cannot be carried on profitably. If these industries fail—and fail they must if they cannot be carried on profitably—then the whole economic structure of Western Australia falls with them. Such is the outstanding disability of Western Australia within the Federation; and such is now the necessity which constrains the people of Western Australia to withdraw from Federation. In Western Australia, Federalism has become destructive of the very objective for which all institutional machinery exists—the welfare and safety of the people. It is for the better securing of their own welfare and safety, for the purpose of being free to adopt such fiscal policies as may be dictated by the economic requirements of the country and thereby to avert the ruination which otherwise would befall the State and the people of the State by the collapse of its staple industries, that the people of Western Australia desire to withdraw from Federation.*

(vii.) Secession will enable Western Australia to engage in the rehabilitation of her staple industries and to promote the establishment of manufacturing industries specially suited to her needs. Secession, moreover, will result in a great improvement of, and will restore stability and solvency in, the finances of Western Australia; it will also remove many other grave disabilities—constitutional, political, and economic—which are at present suffered by Western Australia through its inclusion as a State in the Commonwealth.

(viii.) The Federal system of government as inaugurated in Australia was an experiment without precedent—an unfortunate departure from the British system of government. It was a combination between the British Cabinet principle (as practised under the unitary system) and the American Federal system (as practised in conjunction with the Presidential principle). In the result, this Constitutional hybrid lacks the distinctive virtues of either of its progenitors and possesses the faults of both. As a system of social organisation Federalism has failed in Australia. It has failed because of the serious defects in the system as a system. It has also failed—as an Australian-wide unitary system would likewise fail—because it is incapable of harmonising with those fundamental conditions which constitute the unalterable economic background of any plan for social organisation or constitution-making for Australia. The physical features of the continent of Australia—and notably its distinct division into a western economic unit and an eastern economic unit and their effective separation by a vast desert which comprises such a large proportion of the area of the continent—are such as positively to preclude the efficient government of all the Australian people by a central government quite irrespective of whether that central government is part of a unitary system of polity, or part of the existing, or any other, form of Federal system. It is a constitutional impossibility to give Western Australia a really satisfactory place in any centralised system having for its object the government of Australia, in one form or another, by a central government.

(ix.) Secession will enable the Government of Western Australia to proceed with the orderly development and population of the State. That means prosperity and employment for the citizens of Western Australia and, later, opportunities for the advantageous settlement of some of Great Britain's surplus population. The economic circumstances of Western Australia are such that all the elements will then exist for her to conclude an arrangement with Great Britain for an unexampled demonstration of the mutual benefits which flow from real reciprocal trade within the Empire.

(x.) Prosperity cannot come to this great island Continent—with its area of more than three-fourths of the whole area of Europe—by the aggrandisement of a few highly industrialised cities on the eastern seaboard, but can come only by the equal and orderly development of Australia as a whole.

(xi.) A prosperous, thriving, and well-governed Western Australia out of the Federation would be of much more ad-

vantage to Australia and to the Empire than Western Australia within the Federation, and as a result thereof financially embarrassed and placed in economic subordination to the other States.

(xii.) At a referendum at which 91.6 per cent. of the electors of the State exercised the franchise—and the referendum as a principle is always regarded as a conservative instrument—the people of Western Australia by a majority of almost two to one declared themselves in favour of Secession.

(xiii.) In Western Australia the question of Secession over-shadows all other public questions. The strength and permanence of the Secession movement may be said to exist from the inevitability of gradualness, and because it concentrates the forces which are roused in any British community by an appeal to national pride and national dignity, and by a demand for British freedom and British justice.

(xiv.) The people of Western Australia desire that their withdrawal from Federation may be effected in the most honourable and friendly manner and without leaving any trace of resentment or bitterness behind it.

(xv.) *That the people of Western Australia overwhelmingly desire to withdraw from Federation, is the ground upon which the British Parliament is being approached to enact such legislation as may be necessary to effect such withdrawal. The chief reason by which the people of Western Australia are constrained to secede has been summarised in clause (vi.) of this summary. Judged by the indisputable standards enunciated in clause (ii.) of this summary, the position of the people of Western Australia within the Commonwealth is that, whereas they enjoyed self-government before they entered Federation, there is no measure of real self-government for them while they remain within the Federation. Secession, therefore, is also favoured by the people of Western Australia as a means of restoring to them that greatest of all political privileges—self-government, and because “No method of procedure has ever been devised by which liberty could be divorced from self-government.”*

Conclusion.

742. The hope is expressed that what has been set forth in this Case will leave no room for doubt that in their desire for Secession the people of Western Australia are not moved by narrow sectional interests. They firmly believe, and the facts demonstrate it most clearly and conclusively, that the

withdrawal of Western Australia from the Commonwealth will be not only to her best interests, but also to the best interests of Australia and of the Empire.

•743. Notwithstanding the magnitude and the seriousness of the political and economic disorders, which have been discussed in this Case, the remedy, after all, may be set forth in an exceedingly simple manner, namely, in the words of that cardinal sentence in the well known Durham Report:—

“It needs no change in the principles of Government, no invention of a new constitutional theory, to supply the remedy which would, in my opinion, completely remove the existing political disorders. It needs but to follow out consistently the principles of the British Constitution.”

744. In the case of Western Australia the proposition may be put with even greater simplicity. It is not so much a matter of originating the principles of the British Constitution; it is just a matter of reverting to those principles. In a word, Secession implies that in the future, the system of government for Western Australia should be precisely the system of responsible government which was granted to her by the Imperial Parliament in 1890 (when her population was approximately only one-tenth of what it is to-day), and under which she so successfully carried on until 1900 as a separate and integral part of the British Empire. The people of Eastern Australia may find it necessary, in their own interests and in the interests of Australia, to discard the Federal system and, either as one unit or in two or more suitable divisions, revert to the principles of the British Constitution; but that, of course, is a matter for decision by the people of the Eastern States themselves.

745. This Case has been prepared primarily for the information and guidance of the British Parliament and the British people. In conclusion, however, the hope is expressed that our fellow-subjects on the other side of this great continent will study this Case *as a whole*, and then will find that it has been written in a spirit of genuine sympathy and with an earnest desire, not only to explain Western Australia's impossible position within the Federation and the reason by which her people are constrained to secede, but also to point the way to a more beneficial social organisation of Australia, and to promote the peaceful and orderly development and population of Australia so that, in the fullness of time, it may well prove to be—as the first Governor of New South Wales dared to prophesy—“the most valuable acquisition Great Britain ever made.”



